

JPRS-UEA-86-029

28 AUGUST 1986

USSR Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

28 AUGUST 1986

USSR REPORT ECONOMIC AFFAIRS

CONTENTS

ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

- Planning, Management of Large Economic Complexes Described
(Yuriy Vladimirovich Yakovets; EKONOMIKA I MATEMATICHESKIYE
METODY, No 1, Jan-Feb 86) 1

PLANNING AND PLAN IMPLEMENTATION

- More Balance Plans Based on Accurate Data Sought
(B. Smekhov; PLANOVOYE KHOZYAYSTVO, No 4, Apr 86) 12
- Structural Changes in Economy in 11th FYP Traced
(G. Kuranov; PLANOVOYE KHOZYAYSTVO, No 5, May 86) 23

INVESTMENT, PRICES, BUDGET, AND FINANCE

- Discussion of Price Reform Mechanism Continues
(EKONOMICHESKAYA GAZETA, Nos 18, 21, Apr, May 86; ZARYA
VOSTOKA, 7 Jun 86) 37
- Parametric Series Proposed, by A. Buzhinskiy 37
- Linking Price to Efficiency, by Yu. Borozdin 40
- Counterprice Approach Urged, by Mamiya Megrelishvili 45

INDUSTRIAL DEVELOPMENT AND PERFORMANCE

- Gosplan Official Assesses Experiment's Impact on Production
(V. Ilin; PLANOVOYE KHOZYAYSTVO, No 5, May 86) 53

RESOURCE UTILIZATION AND SUPPLY

- Lax Shipping Practices Create Materials Supply Imbalances
(S. Avdeyev; MATERIALNO-TEKHNICHESKOYE SNABZHENIYE, No 3,
Mar 86) 60
- Officials Respond to Article on Materials Recycling
(PLANOVOYE KHOZYAYSTVO, No 5, May 86) 66

REGIONAL DEVELOPMENT

- Kazakh Council of Ministers Chairman Reviews FYP
(N. Nazarbayev; NARODNOYE KHOZYAYSTVO KAZAKHSTANA, No 4,
Apr 86) 73
- Management of TPK Resource Allocation Under Review
(L. Lebedeva; MATERIALNO-TEKHNICHESKOYE SNABZHENIYE, No 4,
Apr 86) 93

/9986

ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

PLANNING, MANAGEMENT OF LARGE ECONOMIC COMPLEXES DESCRIBED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 1, Jan-Feb 86
pp 12-19

[Article by Doctor of Economic Sciences, Professor and Deputy Department Chairman of the ANKh [Archives of the National Economy] of the USSR Council of Ministers Yuriy Vladimirovich Yakovets: "Problems in the Planning and Administration of Economic Complexes"; article in the form of formulating a question]

[Text] One modern trend in the development of expanded socialist reproduction is the formation of a system of major national-economic complexes (NK), an important form of integration in the economy. This process began long ago, but is only now reaching the intensity that makes it possible to speak of them as one of the distinguishing features of a qualitatively new degree of development of the productive forces of society.

Two different types of NK can be singled out: intersectorial (MNK) and functional (FNK).

The formation of an MNK was reflected in planning and economic science. The development of a number of sections of the Comprehensive Program of Scientific and Technical Progress is being conducted for intersectorial complexes. The fuel-and-power complex was singled out in the structure of the 9th Five-Year Plan (for 1971-1975). The necessity of creating a management system for groups of interconnected sectors was emphasized at the 25th CPSU Congress. The May (1982) Plenum of the CPSU Central Committee approved the USSR Food Program and determined the organizational forms for the management of the agro-industrial complex.

The tasks of developing seven MNKs were defined in the draft of the new version of the CPSU Program: machine building, structural materials, fuel and power, the agro-industry, the production of consumer goods and services, the production infrastructure and construction.

The importance of creating MNK planning and management organs was also mentioned at the June 1985 conference at the CPSU Central Committee on questions of accelerating scientific and technical progress: "Experience shows that the principal reserves for achieving high efficiency lie at the

junctions of sectors. It is hoped that Gosplan will be able to study the whole series of intersectorial interconnections and select the optimal variant--that is, to give up illusions. This is not within the capabilities of the ministries. All of this places on the agenda the question of creating management organs for the major economic complexes" (Gorbachev, M. S. The Fundamental Question of Party Economic Policy. Report to the conference on questions of accelerating scientific and technical progress at the CPSU Central Committee of 11 Jun 85. Moscow: POLITIZDAT, 1985, p 24).

The necessity of forming NKs and planning and management organs for them has currently been recognized by economic science and management practice. Nonetheless, only the first steps have been made here. This can be explained by three basic reasons. First of all, the objective process of NK formation is still far from resolved: in certain cases it is more clearly expressed (the agro-industrial, fuel-and-power and transportation complexes) and in others less so (the building-materials, raw-materials, scientific-and-technical, social and ecological complexes). Second, departmental barriers stand on the path of the formation of complexes that hinder the establishment of rational intersectorial cooperation. Third, fundamental and applied problems of NK creation, their makeup and structure, and their planning and management are still insufficiently developed. This article is devoted to these problems.

1. Fundamental Principles of NKs

A number of objective factors that facilitate NK formation can be cited.

They are, in the first place, the increased division and cooperation of labor and the accelerated development of production integration--the modern form of the socialization of labor. The close interweaving of interconnected sectors and types of activity led to the appearance of unique "integrated centers" in the economy at various levels--the primary (multi-sector combinations), sectorial, territorial, national-economic and international (within the bounds of CEMA, for example).

Second, the intersectorial nature of the expansion of the scientific and technical revolution is strengthening the interaction of related sectors and types of activity in the process of creating and assimilating new areas and generations of equipment (microprocessors, computers, robots, flexible automated systems, biotechnology, laser technology, space equipment and the like). The development and broad incorporation of fundamentally new equipment and technology can be implemented most quickly and with maximum efficiency only by ensuring the unity and interaction of a number of sectors drawn into this process. At the same time, under conditions of the scientific and technical revolution, the technological community of sectors as the basis of the formation and flexible reconstruction of MNKs arises. It can be said that the integration and formation of NKs is a distinctive epoch in the scientific and technical revolution in the form of labor socialization.

Third, the necessity of NK creation is dictated by the general ecological principles of the development of society that determine the interaction of reproduction with its natural base, the surrounding natural environment. The

drawing of richer and more accessible natural resources into production and the pollution of the environment have reached such an extent that they have begun to have a negative effect on both the efficiency of production and the quality of life. Only on the basis of the MNK and the versatile combination of production is it possible to decrease and bring to a rational level the burden on natural resources, incorporate waste-free and nearly waste-free technologies, broadly replace primary raw materials with secondary ones and avert the pollution of the environment. A separate functional complex--ecological--is being formed.

Fourth, the creation of NKs is facilitated by the social factor, modern forms of action of the law of rising of popular needs, a principal economic law of socialism. The consumer product mix has a trend toward rapid expansion and renewal; the level and structure of requirements and demand of the population in various regions of the country are converging. In order to satisfy these growing and changing requirements, it is necessary to have a highly developed, comprehensive, rapidly changing, differentiated production--on the scale of each region and the whole country. At the same time, the need for a flexible system for training and raising the qualifications of personnel and ensuring conditions for preserving the health of laborers and the all-round development of the personality is becoming acute. This serves as the basis of the creation of a social FNK.

Fifth, expanding the international division of labor and socialist economic integration requires a substantial increase in the marketability of domestic products, which is practically impossible within the bounds of a single sector. The interweaving of national economies of integrating countries is leading to the appearance of integrated complexes within the framework of CEMA (for example, fuel and power, machine building, agro-industrial, scientific and technical). At the same time, a functional inter-economic complex is being created which ensures the unity and interaction of various sectors and types of activity in this complicated sphere.

Sixth, it is impossible not to take into account the necessity of strengthening the defense capabilities of the country and maintaining the equilibrium of forces under the conditions of the expanding military and technical revolution. This presupposes the strengthening of economic, scientific and technical potential and the coordinated activities of all those working in a given sphere of ministries and departments.

Seventh, the topicality of forming versatile NKs is dictated by economic factors and the requirements for conserving time, the undeviating growth of labor productivity and reduction of the cost of goods. The extremely solitary nature of specialized industries, major investments in the technical re-equipping and rebuilding of production, the limited nature of the best natural resources and the depletion of some of them, growing expenditures for social development and protection of the environment--all of this has led to a reduction in the growth rate of social labor productivity (from an annual average of 9.2 percent in the 1950s and 6.8 percent in the 1960s to 3.2 percent in the 10th Five-Year Plan and 3.1 percent over four years of the 11th) and to a rise in the costs of many types of products. Eliminating these negative phenomena, roughly doubling the growth rate of labor productivity and

lowering the real costs of production are possible only on the basis of a sharp acceleration of scientific and technical progress and the utilization of the advantages of the socialization of labor along with surmounting departmental and local-interest barriers. In order to conduct a unified economic policy and ensure the coordination of plan activity, commodity and monetary controls and incentives, an FNK should be created that combines the ministries and departments operating in that sphere.

Consequently, the formation of an NK is a distinctive feature of the modern stage in the development of productive forces and is at the same time an important factor in their transition to a qualitatively new level. In and of itself, the creation of an NK gives rise to new productive force and additional economic savings through ensuring rational productive proportions, reducing transportation expenses and losses at sector junctions, more efficiently utilizing the productive and social infrastructure and rapidly assimilating new generations of equipment and technology of an intersectorial nature.

2. The Classification and Structure of National-Economic Complexes

What has been stated above permits the differentiation of the two indicated types of NK. The intersectorial complexes include groups of allied sectors that are united by common basic raw materials and the subsequent stages of their processing (agro-industrial, raw minerals, timber) or common needs that they satisfy (complexes for the production of consumer goods and services, fuel and power, machine building, construction, transportation, investment). The functional complexes are united by interconnected types of activity that reflect the multifaceted functions of the state in guiding the economy in social and economic development and foreign-trade, ecological and defense activity.

The classification of NKs is just now being created and, insofar as the process of complex formation has not been completed, clear criteria for their classification have not been developed. Various groupings of sectors are possible, singling out enlarged complexes (for example, investment complexes combining machine building and construction with the building-materials complex in a unit that relates to the expanded reproduction and renewal of fixed capital) or resource types (raw minerals, timber, food).

The differences of opinion among theoreticians and practitioners on the question of NK structure are also considerable. Two basic types of approach to the criteria of MNK creation can be noted. The first consists of uniting "non-intersecting" groups of sectors that become an independent planning and management facility, although associated with other complexes. The second approach singles out a "core" in the structure of each complex that is distinctive of only a certain group of sectors (or type of activity) and "related fields" with other NKs that provide for rendezvous and their proportionate development within the framework of a single NK. For example, the "core" of the agro-industrial complex is agriculture and the immediate maintenance of its services (agricultural equipment and chemicals), and the "related fields" are sectors related to other MNKs (agricultural machine building, agricultural construction and the like). The "core" of the machine-

building complex is machine-tool building, electronics and intersectorial production; its "related fields" are sectors that produce the means of labor for other MNKs (power, road construction, agricultural, metallurgical, transport machine building and the like).

Sectors making up the "related fields" can be of three types: supplying products of other complexes to the given complex; processing or consuming its products; and, maintaining its functioning.

It seems that it is namely the second approach that makes it possible to uncover the whole chain of internal and external interconnections, ensure the balanced change of proportions and surmount departmental barriers. The first approach can cause the appearance of still higher barriers at the boundaries of complexes than exist at the boundaries of sectors.

The structure of the FNK is little studied and less clearly depicted; however, a "core" and "related fields" with other complexes can be singled out here as well. In the scientific and technical complex, for example, the "core" is basic and pure research conducted at academic and higher-educational institutions; scientific instrument building and the production of automated-planning equipment, the construction and reconstruction of facilities for science and scientific maintenance and the training of scientific and design personnel; related links with other complexes that consume scientific production--NIIs [scientific research institutes], KBs [design bureaus], NPOs [scientific production associations] and leading applied-research and experimental-design developments for the creation of equipment and technology for the agro-industrial, machine-building, fuel-and-power and other intersectorial and functional complexes.

3. Methods of NK Planning and Management

A rich arsenal of equipment and methods developed by economic science and planning practice is employed in planning MNK and FNK development. It would be incorrect, however, to disseminate mechanically methods that are used in planning practice at the sector and sub-sector levels to this sphere. We will consider a more detailed methodology for MNK planning.

1. Indicators and standards that quantitatively express targets for the development of complexes in the planning period should not simply total up the analogous characteristics of the sectors of production and the non-productive sphere that make it up, but should single out those specific generalized parameters that reflect the direction of the development and structure of the complex as a unified whole.

Among the planning indicators and standards for the MNK can be singled out:

targets for the supply of end products in physical (by aggregated product mix) and cost form; for this, it must be clearly known what products are end products for each complex and the right must be granted to management organs to determine for themselves the production volumes and the supplies of intermediate products;

aggregated standards of proportionate consumption of materials and labor resources per unit of end product and capital investment per unit of its increase;

targets for increasing the technical level and quality of end products and the development, assimilation and dissemination of new generations of equipment and technology;

basic indicators of ecological activity and the rational and comprehensive utilization of natural resources and the protection of the environment;

generalized indicators of foreign-trade activity and the supply of products for the export and import of machinery, equipment and materials and participation in the integrated measures of the CEMA member-countries;

some of the most important indicators and standards of social development (for example, reducing manual-labor expenditures and the training of personnel and raising their qualifications);

composite indicators and standards of the efficiency of production and the formation and distribution of net income.

For every complex, the set of indicators and standards will be specific; at the same time, the aggregation and disaggregation of the indicators of the complex overall and for those sectors making it up are important.

2. The dedicated-program method is most suitable for NK planning, insofar as it makes it possible to discover and subordinate the end result to the whole complex chain of the sectors, industries and types of activity. A system of long-term dedicated nationwide programs is being gradually formed for almost all MNKs, which consists of:

The USSR Food Program, which defines the prospects for the development of the agro-industrial complex based on rational standards for the consumption of principal food products and possibilities for developing the production, transportation, storage, refining and sale of foodstuffs;

a program for developing the production of consumer goods and services, which determines, on the basis of rational consumption standards for non-food goods and the most important types of paid services, targets for increasing their production, improving their quality and assortment and ensuring progressive shifts in the pattern of personal demand;

The USSR Long-Term Energy Program, which projects the prospects for the development and improvement of the structure of the fuel-and-power complex and the incorporation of power-conserving technologies in the national economy;

a program for upgrading machine building, which should ensure a substantial acceleration of the growth rate of this key NK, a radical increase in the technical level, marketability and efficiency of its products and a considerable increase in the share of machinery and equipment in the structure of exports based on the tasks posed at the April (1985) Plenum of the CPSU Central Committee and the CPSU Central Committee conference on questions of accelerating scientific and technical progress;

a program for the conservation of metal and the expanded application of chemistry in the national economy, the aim of which is to ensure a substantial reduction in the materials consumption of social production based on the technical re-equipping of metallurgy and a substantial increase in the quality of rolled metal, the development of the production and application of synthetic and composite materials and the improvement of the structure of the building-materials complex;

a program for the development of transportation, the rapid growth of its most efficient types, technical re-equipping and the full satisfaction of the needs of society for shipping with a reduction of transport expenses.

In this manner, the prospects for the development of almost all MNKs are determined by the nationwide long-term programs; some of these have already been approved (the Food and Energy programs along with increasing the production of consumer goods and services) and the development of the others is being completed. It is essential to include in this list an additional program for the development of the construction complex, which would ensure a sharp reduction in the erection times of facilities, an increase in their quality and a decline in cost.

Nationwide dedicated programs are also being formulated for certain functional complexes: the reduction of manual labor (the development of which is being completed); the protection of nature and the rational utilization of natural resources; comprehensive improvement of the management mechanism; and, the Comprehensive 20-Year Program of Scientific and Technical Progress.

There are also substantial difficulties in applying the dedicated-program method in planning. The programs are developed and considered at different times, are insufficiently linked to one another and are not a unified system; questions of the effectiveness of their realization are poorly studied. These shortcomings can be eliminated by including the system of nationwide programs in the composition of the national-economic plan and periodically (in preparing the regular five-year plans) elaborating them taking into account the results obtained and the new achievements of science and technology.

3. It is necessary to note the features of the balance-sheet method in planning intersectorial complexes in the national economy. It is here correct to apply comprehensive materials balances for interchangeable end products:

fuel and power, structural materials, equipment, building materials and the like. It would be useful to compose such balances in physical-cost form, so as to minimize expenditures for satisfying the needs of society for the products of the complex and to determine the effect of structural shifts.

The development of composite balances for labor among intersectorial complexes should be introduced into planning practice so as to make commensurate the targets for their development providing for labor resources and the growth rates of labor productivity and to implement in a timely manner the training, retraining and raising of the qualifications of personnel in accordance with the changing needs of the sectors that make up the complexes and with shifts in the distribution of production.

The development of enlarged balances of fixed capital and the productive capacities by MNK is essential as bases of the planning of technical re-equipping and reconstruction of existing enterprises and the distribution of capital investment. The re-evaluation of fixed capital (13 years have already passed since the last one), combined with an evaluation of their technical levels and degree of obsolescence, could be a good information base for this.

It would also be expedient to set about the development of composite balance sheets for the most important types of natural resources, first and foremost for those MNKs that are their major consumers (agro-industry, raw minerals, timber, fuel and power, structural materials, construction). This would permit the placement of development planning for the ecological complex on a solid basis. The breakdowns used for MNK planning should differ from traditional ones through an aggregated product range and standard base along with the possibility of conducting variable and optimizing calculations.

4. In MNK planning, versatile econometric models are used. The most suitable is physical-cost MOB [intersector balance] in which blocks are singled out by interconnected sector groups and the distribution of their end products. Among individual complexes (for example, the agro-industrial the fuel-and-power), interproduct (multiproduct) physical-cost models are composed (which encompass the principal products of the complex and aid in planning their distribution, conservation, structural shifts and internal and external interconnections) along with optimization models. For an evaluation of the prospects of developing the production of consumer goods and paid services, it is necessary to take into account the results of the calculations of direct and prospective coefficients of the elasticity of demand on prices and incomes based on the corresponding models.

5. The development of composite breakdowns according to complex and the systematic application of econometric modeling is expedient within the framework of the functional subsystems of the ASPR [automated system of planning calculations] created for each NK. These subsystems already exist for a number of intersectorial complexes (agro-industrial, fuel and power and others). This will permit the implementation of composite variable calculations and the determination of the optimal rates and proportions of the development of the complexes and the starting point for the composition of the corresponding nationwide dedicated programs and the monitoring of the course

of their fulfillment. NK formulation serves as an important factor for intensifying and raising the efficiency of the economy and its balanced development, discovering imminent structural shifts, conducting a unified economic, scientific and technical, investment, structural, social and ecological policy and surmounting departmental obstacles.

The realization of these advantages, however, requires the planning and management of each NK as a complete and dynamic system. The sectorial management system that has taken shape thus far hinders the integration of interconnected sectors and types of activity and is a drag on the resolution of major problems in the national economy.

Two approaches have been found for the formation of an NK planning and management system that are associated with the different conceptions of their structure.

The first approach consists of the creation of specialized organ-committees superior to the departments to which the ministries and departments making up the complex would be immediately subordinate. Clearly delineated administrative organs for the complex-wide planning of interconnected groups of sectors and spheres of activity should correspondingly also be singled out in the structure of USSR Gosplan (such administrations have already been created, but many of them do not play a leading role in planning the development of the complex as a whole). The advantage of this version is in the realization of a unity of will in the planning and management of the sectors of the complex and the subordination of the ministries and departments to a single center. The shortcoming is the possibility of the appearance of disproportions in the development of related complexes and high barriers at their boundaries.

The second approach consists of the organization of a matrix management system for national-economic complexes. An organ of the Presidium of the USSR Council of Ministers is created for each of them, to which belong the managers of the ministries and departments that represent the sectors of the complex, and administration managers of USSR Gosplan as well as of the GKNT [State Committee of the USSR Council of Ministers for Science and Technology], USSR Gossnab, USSR Minfin [Ministry of Finance] and other central departments. Each ministry (department) is administratively subordinate to one commission; at the same time, the ministries (departments) that represent the "related fields" with other complexes are included in the makeup of the related commission. Minselkhozmash [Ministry of Tractor and Agricultural Machine Building] and Minzhivmash [Ministry of Machine Building for Animal Husbandry and Fodder Production], for example, immediately subordinate to the management of the machine-building complex, should also simultaneously be a part of the management organ of the agro-industrial; Minavtoprom [Ministry of the Automotive Industry]--to the machine-building and transportation complexes; Minselstroy [Ministry of Rural Construction]--to the construction and agro-industrial etc.

A unique multidimensional management structure is obtained: each ministry, answering for the development of the sectors subordinate to it, participates

in the management organ of its own national-economic complex, as well as certain functional complexes. This structure is quite complex, but it reflects the reality of the multidimensional nature of the economic processes. It seems that it is namely the matrix management system that corresponds to the conditions of the development of modern highly integrated large-scale economics and permits the timely and balanced reshaping of its proportions and structure and a decrease in losses at the junctions of sectors and intersectorial complexes.

Measures have been adopted in recent years on the formation of MNK management organs. A Bureau of the USSR Council of Ministers for machine building was created. It was granted the right to review the drafts of the annual and five-year plans and to redistribute resources.

The management of the agro-industrial complex [Gosagroprom] is being built on a combination of both approaches. USSR Gosagroprom was created on the basis of USSR Minselkhoz [Ministry of Agriculture], USSR Minplodovoshch [Ministry of the Fruit and Vegetable Industry], USSR Minpishcheprom [Ministry of the Food Industry], USSR Minmyasomolprom [Ministry of the Meat and Dairy Industry], USSR Minselstroy [Ministry of Rural Construction] and Goskomselkhoztekhnika [State Committee for Supply of Production Equipment to Agriculture]. The makeup of Gosagroprom includes, and planning is conducted as a unified whole for, the USSR Ministry of Bread Products, USSR Minvodka [Ministry of Land Reclamation and Water Resources], USSR Minrybkhoz [Ministry of the Fish Industry], USSR Goskomleskhoz [State Committee for Forestry] and Tsentrosoyuz [Central Union of Consumers' Cooperatives]. Minselkhoz mash, Minzhivmash, Minleppishchemash [Ministry of Machine Building for Light and Food Industry and Household Appliances], Minudobreniy [Ministry of Mineral Fertilizer Production] and the Ministry of the Medical and Microbiological Industry, producing production equipment and other resources for the agro-industrial complex, closely coordinate their work with Gosagroprom; their managers are members of USSR Gosagroprom, as are deputy managers of USSR Gosplan, GKNT, USSR Gossnab, USSR Minfin, USSR Gosbank [State Bank] and the USSR TsSU [Central Statistical Administration].

In the same way, a differentiated MNK planning and management mechanism is being developed that reflects their specific features. This meets the task, posed in the draft of the Fundamental Areas of Economic and Social Development of the USSR for 1986-90 and for the Period to the Year 2000, of creating management organs for groups of interconnected sectors and improving the forms of intersectorial management.

The organization of planning should be built on the matrix principle, charging each composite section (subsection) of each national-economic complex with the implementation of composite planning based on the given sectorial sections, both immediate members of the the management makeup for complex-wide planning and the related sections of their other administrations. Only on the basis of a series of integrations is the development and realization of the state plan of economic and social development of the USSR as a synthesis of optimal plans

for all NKs that would to a great extent ensure the utilization of the advantages of socialist production with the aims of increasing the rate of economic growth, accelerating scientific and technical progress and the undeviating ascent of the welfare of the Soviet people and strengthening the defense capability of the country possible.

COPYRIGHT: Izdatelstvo "Nauka", "Ekonomika i matematicheskiye metody", 1986.

12821

CS0: 1820/170

PLANNING AND PLAN IMPLEMENTATION

MORE BALANCE PLANS BASED ON ACCURATE DATA SOUGHT

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 4, Apr 86 pp 66-74

[Article by Professor B. Smekhov, doctor of economic sciences: "Norms and the Stability of Plans"]

[Text] How to secure the stability of plans and norms.
The intensification of planning. Improving information
support for planning work.

The materials of the 27th CPSU Congress reveal and substantiate the real possibilities for accelerating the country's socioeconomic development. The further strengthening of the planning principle in the economy depends in large measure on their utilization. The combination of centrally determined targets with the broad introduction of new management techniques emphasizing the initiative of work collectives will make production more effective in every way. This requires stable plans and norms, without which, as many years of experience show, the most progressive and perfect forms of organization and stimulation of effective work lose their force. A graphic example of this point is the difficulties that arise in the process of disseminating the Shchekino method. Its effectiveness depends directly on the stability of the work collective's wage fund norm which is directly associated with the final product and does not depend on changes in the size of the work force. In actuality, however, this norm has been subjected to corrections--a factor that has undermined the stimulating force of the method.

The decisions of the 27th Congress emphasize the need to base cost accounting interrelations on five-year plan targets and economic norms that connect the resources left at the disposition of association and enterprises with their performance. The Political Report of the CPSU Central Committee to the 27th Congress states: "When enterprise collectives know the conditions of the planned period beforehand--product delivery targets, prices, payments to the budget from profits, norms governing the formation of wage funds and cost accounting incentive funds, they will be able to creatively draft plans (without fearing to disclose reserves) that ensure higher growth rates and a significantly higher degree of effectiveness of production." This presupposes the stability of the five-year plan since any correction in plan targets

entails change in the norms associated with them. And, indeed, the economic norms themselves are a component part--to a certain degree, the basis--of the plan.

As a rule, the changes that are made in the enterprise's plans create difficulties in production for suppliers and customers alike. Smezhniki [factories producing parts for use by another] also have to correct their plans. The consequences of the correction of the plan in one production link is felt throughout the entire national economy. This is one of the reasons for the partial disproportions that reduce economic growth rates.

The dependence of the acceleration of the country's socioeconomic development on the stability of plans and associated economic norms requires the clarification of the questions: How can the stability of plans and economic norms be secured? What are the limits to the required stability of the plans? Why are they corrected?

I

The realization of the task of accelerating the nation's economic and social development first of all includes its final results. At the national economic level, they are reflected in the growth of national income (in comparable prices) with the condition that changes in its structure are in conformity with society's needs. According to the Basic Directions [Osnovnyye napravleniya], the growth of national income in 1986-90 will be 19-22 percent compared with 17 percent under the 11th Five-Year Plan. During the next two five-year plans, this increase should average 28 percent for each quinquennium, which should mean a twofold growth of national income in 1985-2000. The stability of general plans depends on the attainment of specific plan targets assigned to ministries and departments plus the attainment of the plan targets they in turn assign to associations, enterprises, and construction projects. Here, performance boils down to the strict observance of contractual commitments and the economical expenditure of resources. In order that the basic economic links might work successfully and fruitfully, it is important that centrally assigned plan targets not be changed on the basis of actual performance. The strategy of acceleration cannot be reconciled with the instability of management conditions especially when associations and enterprises are assigned broader rights and obligations.

However the plan cannot be limited to performance. The plan establishes ceilings or norms on the quantity of resources that each branch, enterprise, and construction project are allocated for a given production or construction program on the one hand and assigns targets for qualitative changes in production (technical retooling; lowering materials-, capital-, labor-output ratios, etc.) on the other. Since the goal--performance and the means of attaining the goal are interconnected, the plan targets relating to the entire aggregate of actions leading to the goal must be stable. This means that the plan must be stable. From the standpoint of the acceleration concept, however, it is important to consider the time factor. For example, the redistribution of plan targets among quarters of the year invariably disrupts

the rhythm of production even though the plan would not be changed with respect to the sum of the quarterly targets.

The proper combination of centralized planning with creative initiative at the local level presupposes that each economic link receives a social mandate in the form of mandatory targets with regard to the minimum necessary number of indicators and that it is placed in full cost accounting conditions in such a system of prices, contractual relations, and economic norms that effectively stimulate the effective work of the work collective and every worker. The social mandate in accordance with the contracts is expressed first and foremost in the timely satisfaction of the customers' specific needs for high quality products. Under these conditions, corrections of the plan disrupt the rhythm of production. Regardless of the duration of the production cycle, enterprises need previously conceived scientific organization of production, which is possibly only if plans and norms are stable.

Higher effectiveness of economic and moral incentives also hinges on the stability of plans and norms. The formation of incentive funds depends on the fulfillment of the plan. In order that an association that assumes an obligation to make deliveries might be responsible for them, it must have the assurance that after the plan has been approved, fulfillment will depend entirely on the work of the collective. This is an important aspect of the smoothly functioning economic mechanism. The increased economic independence and responsibility of association and enterprises in the true sense are possible only if that which depends on centralized management has been unequivocally determined beforehand. Within the framework of state targets, the labor collective must feel that it is the master that has been entrusted with the everyday disposition of resources in the interest of achieving the best economic results.

In particular, it is necessary to secure the stability of the conditions in which associations are placed vis-a-vis other economic links, financial agencies, and the state. They are first and foremost contractual terms, prices and rates on goods and services, norms governing the remuneration and stimulation of labor, credit terms, etc.

For all the significance of the stability of the entire aggregate of plan targets, it is especially important that plans and norms correctly reflect the minimum of objectively necessary demands on the performance of labor collectives. They combine different economic links into a single national economic complex. At the same time, it is impossible to reduce enterprise performance exclusively to the satisfaction of the needs of other links for products. The saving of production costs is a no less important aspect of performance. Economized material resources and working time can be used in other economic links. On the other hand, the saving of costs regardless of the use value that is being created is also not performance. We believe it wrong to attempt to express the results of production in some one value indicator. Not one of them reflects the fulfillment of contractual obligations with respect to quantity, quality, mix, and delivery deadlines.

The dialectic of democratic centralism does not mean that when central organs and enterprises participate in the planning of any process or result of activity, the latter may approve a plan on a par with the center. To the contrary, only the precise differentiation of rights in accordance with economic subordination transforms the principle of democratic centralism into an effective factor in the acceleration of socioeconomic development. The entire question devolves on the criterion upon which this differentiation is based. Everything that determines interbranch and interregional proportions, particularly with regard to the reproduction of fixed capital and production capacities, must be approved by the center. Within the limits of mandatory targets, however, there is very broad latitude for creative planning, for improving the organization and technology of production, for the modernization of equipment, etc. An enhancement here is the expansion of the rights of enterprises to use their production development funds as they see fit. Here, everything is subject to decentralized planning, but centrally determined demands must be stable.

Thus, the acceleration of socioeconomic development presupposes precisely rhythmic, systematic reproduction. One of its conditions is the stability of plans and norms. But is it possible to secure their absolute stability? If it is not, how can the necessary and attainable degree of stability be determined?

II

Unfortunately, the absolute stability of plans is not attained even when relative stability is attained. There are objective factors in maneuvering resources and methods in pursuit of a goal. On the national economic scale, this is conditional upon such factors as change in international status, unforeseeable natural phenomena, etc. In the course of carrying out the plan, there frequently arise new possibilities of improving machinery and production technology that could not have been foreseen at the time the plan was drafted.

Generally speaking, the accuracy of the plan is objectively limited to the framework of what is knowable. And if in the course of the implementation of the plan, this framework is substantially expanded, it becomes necessary to adjust the plan upward. It is sufficient to recall the major corrections that were made in the long-range plans for the distribution of the productive forces by successes in mineral prospecting in Western Siberia.

Thus, the need to correct plans arises often. Nevertheless, the question is the degree to which they are due to objective causes and the direction of these changes--upward or downward.

V. I. Lenin had a high opinion of the scientific character of the GOELRO plan. He nevertheless emphasized the necessity of its improvement. After the plan was thoroughly substantiated and adopted, V. I. Lenin saw the task to lie in "getting down to studying the given integrated scientific plan and to correcting it on the strength of practical experience and more detailed

study."¹ The fact that the plan was scientific did not contradict the need to correct it.

But much more frequently, plans and norms are corrected for subjective reasons, particularly as a result of violations of plan discipline and the underfulfillment of production programs in individual economic links. This essentially means orienting ourselves toward bottlenecks, which leads to the less rational distribution of resources than indicated in the plan. Manifestations of departmentalism and localism lead to the same results. Measures taken of late to establish order in production have sharply reduced the correction of plans for such subjective reasons.

But we are for the most part interested in the subjective reasons that are inherent in the plans themselves and that do not depend on those who carry out the plan.

In the process of compiling the plan, the appropriate data can be used with varying degrees of accuracy and balance of plan targets and, what is especially important under present conditions, with varying degrees of completeness of the utilization of reserves for intensification and effectiveness, and varying degrees of approximation of optimal decisions. This is primarily due to the imperfect nature of planning methods and technology that stems from the insufficient interaction of the theory and practice of planning.

Of course, the framework of what is known is also limited to the sphere of planning methods. But under present conditions, they are considerably broader than the methods practically used in compiling the plan. Too little use is made of modern computers and the share of rough estimates in balance calculations is considerable. As a result, demand is not always coordinated with supply; the capacities of associated branches are not entirely coordinated; plans for construction projects become obsolete and their estimated cost grows.

Among the subjective reasons for correcting plans, we should differentiate between (1) their imbalance; and (2) their lack of consideration of the possibility of accelerating socioeconomic development.

Imbalances in the plan are also found in the course of its implementation. Various links in the economy find it impossible to fulfill their plan due the lack of raw materials, energy and manpower, for which they frequently blame the system of material-technical supply. But the difficulties that have arisen are a result of the lack of coordination of plans for the development of allied branches of production, between the volume of production in specified form, between the time a product is produced and the time the need for it arises, or the lack of coordination in a territorial sense. In other words, the plan itself may inherently contain such disproportions that are not evident in the plan balances: the balances present output in aggregate form, output and consumption are calculated not by dates but for the year as a whole, etc.

The imbalance of current and long-range plans is of an especially hidden nature. For example, in a given year, construction commenced on a large electric power plant in a newly developed region on the assumption that when it was commissioned 5 years later, the region's requirement for electric power would increase accordingly as a result of the commissioning of certain enterprises. If the beginning of the construction of enterprises in the plan is not coordinated with their activation 5 years later, this will not be in any way revealed in the one-year plan. Not until the electric power plant is commissioned, will it become apparent that its capacity cannot be used rationally.

Current plans are frequently not coordinated with long-range plans at existing enterprises as well. Thus, while mica factories in Petrozavodsk, Irkutsk, Leningrad, and other cities increased their production of natural, costly insulation materials made of mica from year to year during the 11th Five-Year Plan, their main customers had found cheaper substitutes 10 years ago with the aid of chemists. Therefore, the mica factories should have made plans to develop other types of products earlier, but they did not do so. Their products became unsalable and millions of rubles' worth of products accumulated in their warehouses. This would seem to be a simple mistake in the plans. However, the cause here is deeper. Given the existing methods for drafting long-range plans on the basis of an extremely large product mix, the urgent need to change the mix at the mica factories did not become apparent.

All these consequences of the imbalances of plans lead to belated adjustments that are frequently unable to correct the situation, but that enable enterprises and construction projects to be counted as having fulfilled their quotas, to receive bonuses, etc.

The indicated subjective reasons for plan instability are to a considerable degree the result of the disparity between planning methods and the present scale of the production potential and the unreliability of some of the basic, pre-plan information. These shortcomings can be overcome by intensifying planning with the aid of computers, including the improvement of information.

III

The principal shortcomings in planning are that the traditional approaches to balance work contradict the dramatic increase in the complexity of interbranch and interregional relationships. And even though some plan calculations are made with the aid of computers, the objectively existing interrelationship between plan balances (material, labor, financial) require their integrated elaboration in the form of a system of balance equations in which all parameters are elements of the initial data and the sought variables are elements of the plan. This interrelationship is reflected in aggregate form in the central complex of problems (TsKZ) of USSR Gosplan's ASPR. It is important that the progressive changes in the technology of production contained in it be mastered in a shorter period of time.

In future, especially long-term calculations, this system of balance calculations must also contain variants of norms of capital-, material-, and labor-output ratios corresponding to variants of the technology of production

of the planned types of goods and services. The selection of the optimal variant presupposes the use of computers to solve the problem of the integrated optimization of the plan based on the criterion of the acceleration of socioeconomic development. It is presently entirely solvable.

The time has come when the drafting of plans must also be intensified. Now, there can at least be experimental testing of various approaches to the optimization of plans. An important prerequisite to this is the already introduced second phase of the automated system of planning calculations--USSR Gosplan's ASPR.

Most of the time spent on drafting plans goes into coordinating its separate elements even though they could be rapidly solved with the aid of modern computer technology. The use of computers in the systems solution of their interconnected elements alone will dramatically increase the number of plan variants to be compared. This will be a real step toward its optimization, toward the selection of directions that accelerate scientific-technical progress, that accelerate economic progress.

IV

The methods used to develop and coordinate plan balances do not by themselves guarantee the proportionality of the plan or that the plan will take into account reserves for accelerating socioeconomic development. There is need for accurate information, in particular, about available resources and actual expenditures of objects of labor and working time on the production of the planned product mix. The differentiation of information by type of technology on the attainments of progressive knowhow and reserves for rationalizing the use of means of production and labor, on losses and avenues of their curtailment and elimination, on attainments of science and technology and the possibility of improving the technology of production with the aim of reducing the material- and labor-output ratio and raising the output-capital ratio is of particular interest.

Shortcomings in the information used in planning give rise to forced corrections in the process of implementing plans. The elimination of these shortcomings is a very complex problem. What can guarantee the receipt of the necessary reliable information "from below?" All administrative measures are powerless here. Labor collectives and every worker must be interested in finding the potential for thrifty management and for improving the quality of goods and services.

In our view, to this end we should establish a procedure whereby the growth of economic incentive funds as a result of the saving of raw materials and supplies would be substantially reduced in the event of the formation of above-norm reserves and uninstalled equipment. This would motivate associations and enterprises to determine their needs with due regard to the maximum possible saving of material resources and to refuse to accept capital in excess of their needs.

Naturally, specific calculations and tests are required to solve these questions. One thing is clear: requisitions for the allocation of resources must cease to be requests and must become the customer's demands as dictated by the entire course of the process of expanding the rights of the basic economic links. Measures are needed that would exclude the contradiction between the interests of these links and the interests of society.

No matter how perfect primary information on the need for resources might be, reliable norms for centralized planning cannot be created without the aid of statistics. There must be statistical processing of data on all interbranch objects of labor, regardless of the agency distributing them: USSR Gosplan or USSR Gossnab [USSR State Committee for Material and Technical Supply]. The costs associated therewith are definitely high. But who has reckoned the loss sustained by the national economy when there is no centralized tally of the per unit costs [udelnyye raskhody] of several thousand types of raw materials and supplies distributed by USSR Gossnab. The effect of the higher degree of balance and stability of the plans far outweighs the cost of expanding the mix of products, on the expenditure of which a systematic count is maintained.

Closer examination of the problem reveals ways of reducing the cost and effort entailed in expanding the statistical base for norming the expenditure of resources. For example, non-scarce or temporarily scarce items can be excluded from the given product mix. It is sufficient to merely spot check many types of products.

The diffusion of a progressive form of supply is highly relevant to increasing the accuracy of information of norms on the expenditure of raw materials, fuel, and energy and to increasing the stability of plans for the production and distribution of means of production on that basis. For several years, the Mosgormetallosnabsbyt Association has supplied its customers only in accordance with and only at the time of their actual needs.

Supply based on the customer's demand has the same advantages as unlimited wholesale, but at the same time raises the responsibility of enterprises and ministries for the accuracy of their declared need. On the other hand, the certainty that the allocated resources can be obtained eliminates the tendency of enterprises to requisition more than they need. This is an effective form of transition from pure fondirovanie to the combination of fondirovanie and wholesale trade.

Special attention in recent years has been devoted to the correct determination of the estimated cost of construction projects included in five-year plans. A study of enterprises commissioned after 1970 showed that the actual estimated cost of construction was 14 percent higher than the cost indicated in the plans in light and food industry, 10 percent higher in the construction materials industry, etc.² At the time the five-year plan is being drawn up, many construction projects lack approved plans and are listed with a very approximated estimated cost that is usually raised later on. And this leads to the violation of the great majority of targets throughout the entire investment complex.

Five years are not such a long time as to make it impossible to calculate the estimated cost of all construction projects included in the five-year plan with a sufficiently accurate estimated cost. There is a clear discussion of this point in the party-government decree on cost estimation.

In order to ensure that the information on estimated construction costs is accurate, it is important that contractor organizations be interested therein. Their cost accounting relations should be based on the same principle as the brigade contract: if the construction costs prove to be higher than specified in the contract, the builder, not the customer, should be the one to pay. The observance of this principle would force customers and contractor organizations to strictly monitor the substantiation of estimated construction costs in the process of drafting the five-year plan.

Tolerance of corrections stems from the fact that construction in one branch does not have an immediate impact on other branches. For this reason, it takes several years for past disproportions between production capacities to come to light.

The strategy of accelerating socioeconomic development requires improving the planning of capital construction and the stability of its plans. At the same time, the interdependence of capital construction and other branches is so great that the optimal reproduction of fixed capital is a problem that can be resolved only on an integrated basis and for an extended period of time. The methodology of optimal decision making consists in selecting from all possible variants of scientific-technical progress (which is materialized first and foremost in fixed capital) the variant that assures the maximum acceleration of socioeconomic development.

Centralized planning defines production targets in aggregate form. The needs for specific products are by no means always taken into account within the framework of these targets. Hence the difficulty in coordinating contracts with the plan, which occasionally necessitate the correction of the plan. The need to dramatically raise the role of contract formulation in the actual planning process becomes increasingly obvious.³

The stability of plans under present conditions requires raising the level of coordination of long-range and current plans. The Basic Directions adopted by the 27th CPSU Congress pose the task of strengthening the interrelationship between forecasting and long-range and current planning.

Certain important prerequisites for its successful realization have been established. Large associations have been organized thereby facilitating the solution of interbranch problems; long-term economic relations have been developed; and the authority of contracts has been raised appreciably. Nevertheless, the fact that production plans are frequently not coordinated with delivery plans leads to frequent corrections of one- and five-year plan targets.

The stability of the five-year plan is closely associated with the observance of the stability of economic norms. The reliable supply of resources to production not only in individual years but for all years of the five-year

plan; the prohibition of the practice of revising the estimated costs of construction projects; the strictest observance of all contractual obligations--such are the factors that make both plans and norms stable.

Not only prices and rates but also output norms and costings must remain stable for a period of 5 years. It is of fundamental importance that the benefit from an innovation be enduring not only for production but also for the worker who proposes and implements a progressive proposal. When the Stakhanov movement was first being widely disseminated throughout industry, G. K. Ordzhonikidze told the editorial staff of the newspaper ZA INDUSTRIALIZATSIYU: "The idea of norms gives me no peace. I fear that the norm setters will kill the Stakhanov movement. They will lower the costings everywhere and people will lose the desire to do better work...."⁴ Practice confirms the fact that G. K. Ordzhonikidze's apprehensions are also timely today.

V

From the national economy's point of view, it is very important that the consequences of individual corrections of the plan be successfully localized. Even though all links in the national economy are inter-connected, by maneuvering resources it is objectively possible to exclude a so-called "chain reaction" in the case of partial deviations from the plan in individual links of the chain.

Localization of partial plan corrections means that the corrections must affect the smallest possible number of links in the economy. If, for example, the customer lacks the funds with which to pay for goods delivered by the supplier under the terms of the contract on schedule, it would be wrong to compel the supplier to secure the customer's fulfillment of his contractual obligations. The financial and credit system is capable of relieving the supplier of this problem. Excessive reliance on the automatic nature of economic ties under conditions of socialist production relations cannot lead to any good.

Thus, even when individual links lag in the fulfillment of the plan, the localization of plan corrections and mandatory economic pressure on violators of plan discipline is both possible and necessary. Under socialism, we cannot strive for proportionality through disproportionality. There is no need whatsoever to rely entirely only on pressures exerted by the enterprises themselves on one another, without the participation of the main master--the state. The state, by applying sanctions toward violators of plan proportions and by encouraging well functioning collectives, thereby excludes the distribution of disproportions beyond the sector in which they arise. In this case as well, the localization of plan corrections means the stabilization of national economic plans as a whole and requires the maneuvering of free resources. Therefore, part of the material and financial reserves is objectively associated with the need for the stabilization of plans. The size of this part can be determined with quite a high degree of precision with the aid of the statistical generalization of data for a number of years. The minimization of reserves intended to promote the stability of plans and the

efficiency with which they are used depend on the systematic and effective monitoring of the course of plan fulfillment.

Reserves are needed to localize the consequences of the revision of adopted plans even when this revision is of a positive nature. Socialist pledges and counterplans today are usually taken into account in the drafting stage of the plan. But we do our utmost to stimulate the search for additional production possibilities in the course of fulfilling the plan. In a number of cases the realization of such potential requires supplying production with additional raw materials and energy, makes higher demand on transport, etc. It is important that all this be attained through the use of reserves created beforehand and that it thereby not disrupt the rhythm of production in allied branches.

Precise, rhythmic socialist reproduction is a necessary condition to raising economic growth rates and to the successful realization of tasks posed by the 27th Party Congress.

FOOTNOTES

1. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], Vol 42, p 344.
2. See: PLANOVOYE KHOZYAYSTVO, No 3, 1983, p 10.
3. See: A. Pan, "Quality of the Plan and the Economic Contract," PLANOVOYE KHOZYAYSTVO, No 1, 1986.
4. I. V. Paramonov, "Uchitsya upravlyat" [Learn How to Manage], Moscow, "Znaniye," 1977, pp 137, 138.

Copyright: Izdatelstvo "Ekonomika", "Planovoye khozyaystvo", 1986.

5013

CSO: 1820/137

PLANNING AND PLAN IMPLEMENTATION

STRUCTURAL CHANGES IN ECONOMY IN 11TH FYP TRACED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 86 pp 76-83

[Article by G. Kuranov, Candidate of Economic Sciences: "Structural Changes in the Economy"]

[Text] Changes in the structure of our country's economy are objectively conditioned by the need for further development of productive forces and, above all, the all-out intensification of production. They have found reflection in the party's economic strategy and policy adopted by the 27th CPSU Congress.

The congress summed up the results of the country's economic and social development during the past five-year plan and, in so doing, stressed that a new major step had been taken in raising the Soviet people's well-being and developing all branches of the economy. The country's economic potential grew substantially. National income utilized for consumption and accumulation increased by 17 percent compared to 1980 and in actual prices totaled 567 billion rubles in 1985. More than 840 billion rubles of capital investments were channeled into strengthening the economy's material and technical base and the construction of housing and social, cultural and other facilities during the 11th Five-Year Plan. More than a thousand new, up-to-date industrial enterprises were put into operation.

Substantial efforts were made during the 11th Five-Year Plan to increase production efficiency and labor productivity and to accelerate scientific and technical progress. An almost 90 percent increase in national income was ensured through a growth in labor productivity. Material resources were utilized more economically. However, in the 1970's and early 1980's, unfavorable trends and processes that hindered qualitative changes in the economy, and specifically, the development of intensification, emerged. They were revealed in detail in the materials of the congress, where the issue at hand was slowed economic growth, weak implementation of the intensification of production, the unsatisfactory rate of development of new equipment and technology, slippage of a number of branches' material bases from present-day requirements and the deteriorating quality of many goods.

Switching social production to the rails of intensification required significant structural changes in the economy, including pressing progressive interbranch and innerbranch improvements. They are aimed at the accelerated development of branches that determine scientific and technical progress geared toward resource-conserving technologies and toward types of equipment and output that provide for the production of the end product with minimal expenditures of production resources. At the same time, we must achieve proportionality in the economy, especially the optimal correlation between consumption and accumulation, as well as improvement in the ratio between production of the means of production and of consumer goods; we must observe conformity between the volumes and structure of the production of output for social needs with a view to the accomplishment of social tasks.

Maintaining the necessary proportional balance of social production facilitates the structural reorganization of the economy and creates the preconditions for its intensification. The crux of the matter is that the disruption of proportionality in the economy and the shortage of various material and technical resources lead to inefficient methods of management accompanied by inefficient utilization of resources and a reduction in the quality of output.

At the same time, the development of productive forces and the technical improvement of production and, above all, of technology, engender changes in the established equilibrium among elements of social production and the formation of new proportions that meet social goals and altered conditions. In other words, continuously maintained structural equilibrium presupposes dynamic change in the most important economic proportions and the accomplishment of the necessary structural improvements in the economy.

An analysis of these processes in the 11th Five-Year Plan period makes it possible to track the dynamics of the most important indices of the economy's development and the consumption of resources used in production and their correlation over an extended period, including preceeding five-year plan periods (table 1).

Table 1
(in average annual percentage)

	1966-1970	1971-1975	1976-1980	1981-1985
National income used for consumption and accumulation	7.1	5.0	3.8	3.1
Number of workers and office personnel in the economy	3.2	2.5	1.9	0.9
Fixed production capital	8.1	8.6	7.4	6.5
Capital investments	7.4	7.2	5.0	3.2
Productivity of social labor	6.5	4.3	3.3	3.1
Return on investment	-0.7	-2.3	-2.8	-2.6

The table's data show that during the years of the 9th Five-Year Plan (1971-1975) growth in national income dropped compared to the 8th Five-Year Plan, with a reduction in the efficient utilization of fixed production capital and a sharp slow-down in the growth of the productivity of social labor. Unfortunately, this trend was not overcome in subsequent years. However, during the 11th Five-Year Plan the drop in return on investment slowed while labor productivity growth rates stabilized.

One of the chief proportions of reproduction that characterizes its efficiency is the correlation between the amortization fund and national income. In 1961-1970, it changed in favor of the amortization fund, having increased from 51 percent to 56 percent, and then stabilized from 1971-1985.

A reduction in the materials-intensiveness of national product (without amortization) by 2.5 percent was an important change in reproduction processes during the 11th Five-Year Plan. This percentage reflects a very fundamental result: Savings in raw and other materials, fuel, energy and other tools of labor totaled 15 billion rubles in 1985 compared to 1980. Nevertheless, further improvement in the economy must proceed in the direction of an even more substantial reduction in the materials-intensiveness of national product. Extensive factors of economic growth predominated during the period under review. But calculations of specialists at the USSR Gosplan's Economic Research Institute carried out on the basis of a model of the relation between growth in labor productivity and the capital-labor ratio, show that there was a shift toward intensive factors during the 11th Five-Year Plan--their share totaled up to 26-27 percent as opposed to 23 percent in the 10th Five-Year Plan. (Footnote 1) (See: Chernikov D. A. Rates and Ratios of Economic Growth. M., Economics Publishing House, 1982. p. 78) In the 12th Five-Year Plan the share of intensive factors should grow to 38-42 percent and in subsequent five-year plans should essentially predominate, and in so doing, not only ensure the necessary growth in labor productivity and a reduction in materials-intensiveness, but also a growth in return on assets.

The correlation between the consumption and accumulation funds has a decisive influence on interbranch economic ratios and growth rates for individual branches. It determines the social possibilities for satisfying present needs and ensuring resources for future development. The accumulation fund remained rather high (25-28 percent) for an extended period in our economy. As is known, during the 11th Five-Year Plan, in accordance with the decisions of the 26th CPSU Congress on the need to bring the economy into greater balance and to take a sharper tack toward the accomplishment of social tasks, a course aimed at increasing the share of the consumption fund in national income from 75.3 percent to 77.3 percent and reducing the share of accumulation was charted. However, the projected increase never materialized. The process proved to be significantly more complicated than was at first assumed. A detailed analysis in this regard has already been published in Planovoye khozyaystvo. (Footnote 2) (See: Plyshevskiy B. Socialist Accumulation at the Present Stage. Planovoye khozyaystvo. 1986. No. 3) Higher than expected growth in capital investments (17 percent as opposed to 11.2 percent envisaged in the plan), as well as a growth in accumulation in working capital and supplies (including such negative phenomena as an increase in above-norm supplies of

raw and other materials and the accumulation on store shelves of certain types of goods that are not in demand) stabilized the share of accumulation in national income.

Structural changes in the economy are linked not only with the redistribution of capital investments in favor of new branches and production facilities that ensure the acceleration of scientific and technical progress, as well as the reconstruction and reequipping of existing enterprises. They are also associated with an increase in the enterprises' volumes, which has an effect on the size of the accumulation fund. Provision has been made to increase its share in national income in the 12th Five-Year Plan and subsequently to stabilize and even lower it somewhat.

Ratios that exist between subdivisions I and II of national product, which in the sphere of industrial production are expressed as the correlation between groups A and B, characterize the reproductive structure of gross national product.

The following data attest to changes in this correlation over a 20-year period (1961-1980) as a whole: Subdivision I continued to develop at an accelerated pace. As a result, its share in gross national product increased from 62 to 67 percent. The share of the means of production channeled into the production of the means of production increased quite substantially (from 37.6 to 42.2 percent).

One might suppose that certain changes in these indices toward the convergence of growth rates for the subdivisions of national product will occur under conditions of the introduction of resource-conserving trends in scientific and technical progress (a reduction in the materials-intensiveness of national product and the accelerated growth of labor productivity in comparison with the increase in its capital-labor ratio). Accelerated rates of development for subdivision II have been possible at various times. In 1981-1985, priority growth of industry's group B in comparison with group A (growth of 20.8 percent and 19.5 percent, respectively) was ensured, while the accelerated growth of subdivision I was maintained. At the same time, the growth rate for the means of labor outstripped the growth rate for objects of labor by a factor of 1.9 on the average. Given the overall acceleration of industrial growth rates, the priority development of group B in comparison with group A will intensify during the 12th Five-Year Plan.

A reduction in the dynamic aspect of improvements in the branch structure of national product attracts attention: growth in output from the primary branches of the economy dropped by more than half in comparison with the 9th Five-Year Plan (from 43 to 20 percent for industry, from 13 to 6 percent for agriculture, and from 38 to 15 percent for freight turnover in transport).

The coefficient of structural progress in national product totaled 4 percent in 1971-1975, 2.5 percent in 1976-1980 and 1.3 percent in 1981-1985.

In 1981-1985, 19.2 percent growth in national product was achieved through an increase of 13 percent in industrial production, 1.3 percent in agricultural output and almost 5 percent in other branches. A reduction in industry's share

of the growth in national product from 75 percent in 1971-1975 to 67 percent in 1981-1985 hindered the economy's further intensification. At the same time, structural improvements within industry are objectively capable of influencing the acceleration of intensification (table 2).

Table 2

	1970	1975	1980	1984	1985
Industry as a whole.....	100	100	100	100	100
including:					
Electric power engineering.....	3.7	3.7	3.8	3.9	3.9
Fuel.....	9.3	8.7	8.3	7.6	7.3
Chemical and petrochemical.....	5.0	5.8	6.2	6.6	6.7
Machine building and metalworking.....	16.6	20.1	24.3	26.4	27.2
Timber, woodworking and pulp-and-paper.....	5.6	5.1	4.5	4.5	4.5
Building materials.....	4.4	4.4	3.9	3.8	3.7
Light industry.....	19.2	16.8	16.2	14.7	14.4
Food industry.....	19.4	17.6	15.4	15.4	15.1
Flour, cereals and mixed-feed..	2.9	2.7	2.9	2.8	2.8

Thus, the machine-building complex is developing most rapidly while the building-materials complex, fuel and power engineering complex and light and food industries are developing more slowly. In particular, the machine-building complex's share in the overall volume of industrial production increased from 14.1 percent in 1965 to 27.2 percent in 1985, that is, nearly doubled, while the fuel and power engineering complex's share dropped from 14.4 percent to 11.2 percent, respectively.

An analysis of the table's data shows that the branch structure of industrial production in the 11th Five-Year Plan changed more slowly than in the 10th and 9th Five-Year Plans. Thus, the calculated coefficient of structural improvements in industrial production in the 9th Five-Year Plan amounted to 5.2 percent, in the 10th, 4.9 percent and in the 11th, 3.4 percent. This situation was caused by a slowed rate of increase in the share of machine building and the chemical and petrochemical industries in the total volume of industrial output, which in turn was conditioned by changes in the branch structure of capital investments.

From the viewpoint of the utilization of labor resources, structural advances in industry, as in the economy as a whole, have been favorable. During this period, the nonlabor-intensive branches (gas, chemical, petrochemical and electric power engineering) experienced accelerated growth while growth rates with regard to the labor-intensive branches slowed.

However, the direct influence of a change in the structure of national product on growth in the productivity of social labor (through an increase in the relative share of less labor-intensive branches without considering the

increased share of highly productive equipment) is gradually reduced. In the 9th, 10th and 11th Five-Year Plans, labor productivity growth totaled 23.4, 17.6 and 16.5 percent, including 5.4, 2.6 and 1.4 percent as the result of structural improvements. Other aspects of the structural improvements--an increase in the share of highly productive equipment, technology and efficient materials, as well as accelerated development of the infrastructural service branches (not directly linked with labor productivity growth)--acquire greater significance for an increase in labor productivity. However, methodological questions dealing with an extended assessment of their effect at a national economic level have still not been fully resolved.

A change in the structure of employment, to a certain extent, reflected movement in the structure of national product. This trend attests to the predominance of extensive growth in production. In particular, a weakening of the dynamic flow of individuals toward employment in the nonproduction sphere (roughly double), a reduction in the number of individuals being freed up from employment in agriculture and the maintenance of a high rate of growth in the number of people employed in industry merit attention. Structural improvements in the number of people employed among the branches of the production sphere, as well as among economic regions, are also slowing. As a result, the shortage of labor resources that has arisen in a number of areas is becoming aggravated and the relative surplus of labor in the republics of Central Asia and Transcaucasia continues to exist.

The composition of skilled workers in the economy improved in the 11th Five-Year Plan. In 1985 alone, nearly 42 million workers and office personnel, or 37 percent more than in 1980, underwent training to improve their skills.

Thanks to the development and implementation of branch programs to reduce manual labor, absolute growth in the number of workers in industry engaged in manual labor not only was halted (at the end of the last five-year plan), but even began to actually shrink.

Changes in the structure of capital investments from the viewpoint of their economization were less favorable (table 3).

Capital investments in capital-intensive branches grew at priority rates, especially with the rapidly increasing relative capital-output ratio (oil drilling and gas). At the same time, the relative share of machine building and metalworking, which totaled 8.5 percent, stabilized in the structure of capital investments in the 10th and 11th Five-Year Plans. This constitutes one of the reasons for the slowed pace of the distribution of scientific and technical achievements in branches of the economy. The share of capital investments in the chemical and petrochemical industries dropped markedly. It is planned to substantially increase capital investments in these branches, including in the machine-building complex by a factor of 1.8 during the 12th Five-Year Plan. The amount of capital investments channeled into the development of branches that process agricultural raw materials and into the fuel and power engineering complex will also increase.

Table 3
(in percent)

	1966-1970	1971-1975	1976-1980	1981-1984	1984
The economy as a whole.	100	100	100	100	100
including industry....	35.1	34.8	35.0	35.3	35.5
complexes:					
fuel and power					
engineering.....	10.4	10.0	10.4	12.4	12.7
machine building....	6.5	7.7	8.5	8.5	8.5
light and food					
industries.....	4.2	3.9	3.6	3.5	3.6
building materials					
and other branches					
of industry.....	14.0	13.2	12.5	10.9	10.7
Agriculture.....	16.7	19.8	20.0	18.8	17.8
Transport and					
Communications.....	9.5	10.7	11.8	12.5	13.0
Construction.....	3.3	3.7	3.9	3.7	3.4
Housing construction...	17.7	15.8	14.2	14.9	15.4
Other branches of the					
economy.....	17.7	15.2	15.1	14.8	14.9

An increase in capital investments in the development of transport, communications and other branches of the production infrastructure, especially in rural areas, had a positive influence on improving the degree of balance in the economy, accelerating the turnover of working capital and cutting losses.

Fixed assets in the economy grew by 33 percent in 1981-1985 and exceeded 2.3 trillion rubles at the end of 1985. The more rapid growth of fixed assets compared to capital investments means a reduction in unfinished construction. Its share in state capital investments dropped from 87 percent in 1980 to 78 percent in 1984, and the amount of above-norm unfinished construction was reduced. However, its total in actual cost of construction for the same period grew from 105.1 to 118.4 billion rubles. The full estimated cost of construction continues to remain very high and the share of construction projects begun again is on the increase. Failure to adhere to normative schedules for the construction of enterprises engenders such negative consequences as the nonreceipt of substantial amounts of output, the technical obsolescence of capacities being put into operation and the accumulation of major quantities of uninstalled equipment in capital construction.

Sufficient funds are still not being channeled into the replacement of retired obsolete producer goods. As a result, the coefficient of their retirement in industry remained at a level of 1.3 percent, including machinery and equipment at 2.1-2.3 percent.

An increase in the share of investments for equipment, as well as for technical reequipment and reconstruction, is a progressive trend in the

changing technological and reproductive structure of capital investments. For example, while 23.8 billion rubles (31.6 percent of state capital investments channeled into production) were expended on the technical reequipment and reconstruction of existing enterprises in 1980, that figure had already grown to 32 billion rubles (37 percent) in 1985. By the end of the 12th Five-Year Plan, the share of capital investments for these purposes will reach 50 percent, expenditures for equipment, inventory and tools will grow, while the coefficient for the annual retirement of obsolete equipment will increase to 5-6 percent on the average. It will be even higher in a number of branches. At the same time, the task has been set to increase the service life and operational reliability of mobile equipment.

Fundamental changes in the country's fuel and power engineering complex are noted. From 1960 through 1980, given overall growth by a factor of 2.8 in the production of energy resources, the drilling of oil (with gas condensate) increased by a factor of 4 and natural gas by a factor of 9.3; oil and gas became the predominant fuel and power engineering resources (over 70 percent). In the 11th Five-Year Plan, though, while high gas extraction rates were maintained, the relative share of oil in the fuel balance dropped. The role of atomic power stations grew. In 1985 they generated more than 10 percent of all the electric energy produced and that figure will nearly double by the end of the 12th Five-Year Plan. The structure of the generation of electric energy at the atomic power stations themselves is being improved. The number of atomic heat and power stations is increasing.

Operations to expand oil refining and the utilization of compressed and liquified gas (as substitutes for petroleum-based motor oils) continued in the 11th Five-Year Plan.

A program to economize fuel and power engineering resources is being implemented. Through a reduction in the relative consumption of fuel and energy in 1981-1984, nearly 70 million tons of boiler and furnace fuel, 88 billion kWh of electric energy and 270 million g-cal of thermal energy were saved, and in sum, the savings of fuel and power engineering resources in 1984 compared to 1980 totaled 102 million tons of conventional fuel and exceeded by half the growth in their production. At the same time, a number of ministries failed to fulfill their five-year plan assignments for the economization of fuel and power engineering resources.

Improving metallurgical production and economizing metal is a very important economic task. Improving the quality of metal output, expanding the manufacture of the most economical types of rolled metal, increasing the degree to which final output is ready for consumption and utilizing highly efficient technology for metalworking that requires few stages would facilitate the more efficient consumption of metal in the economy.

The reconstruction of enterprises that has begun in the branch, which creates conditions for progressive technologies of metal production affects the acceleration of these processes. The relative share of steel smelted with the use of oxygen in 1984 reached 82.1 percent. The production of steel utilizing continuous billet casting machinery in 1984 totaled 19.6 million tons, or 13.8 percent, and increased by 18 percent compared to 1980. With overall growth in

the production of rolled metal of 4.3 percent in 1981-1984, its manufacture from low-alloyed steel increased by 13 percent, with thermal hardening by 17 percent, bent shapes by 29 percent, cold-rolled sheet by 35 percent and coated steel sheet by 39 percent. Powder metallurgy experienced accelerated development. Work on the industrial development of technology for the direct production of iron and fundamentally new metallic materials has been expanded.

The lowering of consumption norms in machine building and the introduction of organizational and technical measures in construction made it possible to save 6 million tons of rolled ferrous metals in 1984 compared to 1980 and to reduce the materials-intensiveness of machine building output by two percentage points. In construction, expenditures of output from the building materials industry have stabilized and the relative consumption of output from the wood processing industry dropped substantially.

The production of chemical fibers and threads and the manufacture of basic chemical output developed at an accelerated pace in the chemical industry. Thus, the production of chemical fibers and threads grew by a factor of 1.19, including synthetic fibers and threads by a factor of 1.3. At the same time, growth in the production of synthetic resins and plastics was below that set in the plan and totaled only 13.7 percent. Provision was made in their structure for priority growth of the less expensive and more efficient types of plastics such as polyethylene, polypropylene, polystyrol and polyvinylchloride.

The improvement of interbranch ties in the chemical industry facilitated an increase in the chemicalization of various branches, in particular the light industry, building materials industry and the timber, wood processing and pulp-and-paper industries. The supply of mineral fertilizers, toxic chemicals, films and other chemical materials to agriculture increased.

But the relative consumption of chemical materials in machine building continued to drop, above all due to the insufficient production of highly efficient structural plastics. In order to overcome this trend, the USSR Comprehensive program for the chemicalization of the economy provides for the accelerated development of structural polymer materials for engineering and technical purposes and of fiberglass, carbon-fiber plastics, acrylic plastics and reinforced materials, and a new generation of polymer materials with improved operational characteristics.

The machine building complex is creating conditions for the rapid introduction of the achievements of scientific and technical progress in the economy. In the 11th Five-Year Plan, the greatest successes were achieved in instrument building and the computer equipment industry, which in 1981-1984 ensured growth in production by 40 percent and 53 percent, respectively.

In the final years of the five-year plan, the production of output in the machine tools industry and in power engineering, tractor and agricultural machine building accelerated--a process that was conditioned by structural improvements in the economy as a whole and by assignments for the implementation of comprehensive special-purpose economic programs.

In the machine tools industry, the base branch of machine building, the output of automated and semiautomated lines grew (by a factor of 1.5) in 1981-1985, machine tools with numerical program control doubled and industrial robots grew (by a factor of 9.5). While 100 robots were produced in industry in 1975 and 1600 in 1980, that figure had already grown to more than 13,000 units in 1985. Such growth presupposes the careful working out of the entire technological process. Without the special preparation of production, robots are only rarely "built into" the technological process. The freeing up of 2.5 workers on the average for every robot installed, a substantial increase in robot equipment time and in its workload, as well as the recoupment of the robot's cost in roughly three years, is considered the overall norm for their efficient utilization. The utilization of robots in machine building alone facilitated the freeing from heavy manual labor of 23,000 people in the 10th Five-Year Plan and roughly 100,000 people in the 11th Five-Year Plan.

The shift to the creation of robot-engineering complexes, including ones based on machine tools with numerical program control, manipulators and microprocessors, took shape. Real possibilities exist for bringing the coefficient of equipment workload for these complexes up to 0.85-0.95. The creation of automatic machine tool modules is the basis for the formation of flexible automated production lines.

The comprehensive automation and extensive utilization of electronic equipment in production facilities is an important trend in the acceleration of scientific and technical progress. By the end of 1984 more than 200,000 mechanized flow and automatic lines (as opposed to 160,000 in 1979) were operating in industry, and more than 11,000 units were installed in 1985. The number of comprehensively mechanized and automated sections, shops and production facilities reached 105,000 and the number of such enterprises reached more than 7,000 by the end of 1984. More than 2,600 automated control systems for industrial processes were created during the 11th Five-Year Plan, or more than double the number built during the preceding five-year plan.

The relative freeing up of 2 million people was ensured in 1981-1984 as a result of development in the comprehensive automation and mechanization of production facilities and the implementation of other measures for new equipment.

Changes in the country's economy are, in large part, associated with the development of the agro-industrial complex, which has at its disposal fixed assets valued at more than 400 billion rubles (30 percent of the entire economy's production capital). In order to make its structure more efficient, the task has been set in the Food program to increase the pace of development of branches that supply producer goods to the agro-industrial complex and that process agricultural raw materials and provide it with services.

A total of 268 billion rubles, or 31.9 percent of all capital investments in the economy, including nearly 222 billion rubles for agriculture, were channeled into the development of the agro-industrial complex (including branches that provide it with producer goods).

The fact that agriculture is carried out under difficult climatic conditions over a significant portion of the country must be taken into consideration in determining capital investments policy. The level of bioclimatic potential in the USSR is 1.5 times lower than in Denmark and England, 2.2 times lower than in France and 2.4 times lower than in the U.S. Therefore, the accomplishment of tasks to increase the stability of farming and the efficient utilization of land resources affect structural processes in the agro-industrial complex. The resolution of these tasks is conditioned, above all, by improvement in the structure of agricultural lands, which is characterized by a large amount of ploughed land in the steppe regions, especially in the Central Black-Earth region and in the Ukraine. The excessive amount of ploughed land, especially in dry-farming zones, is undesirable, considering the reduction in the soil's fertility. Measures to increase soil fertility make provision for ensuring its adequate provision with water, the highly efficient utilization of fertilizer, reclaimed land and equipment, the introduction and development of efficient crop rotation, the rapid introduction of high-yield varieties and hybrids into the fields on the basis of industrial seed farming, the implementation of soil-protection operations and the development of industrial technologies for the production of agricultural output.

The supply of mineral fertilizers to agriculture in 1985 totaled 25.4 million tons (expressed in terms of 100 percent of nutrients) and grew by 35.4 percent (compared to 1980). Overall, agriculture received more than 110 million tons of mineral fertilizers during the five-year plan.

Increasing the production and application of organic fertilizers (manure, peat, compost, etc.) are yet another reserve for increasing the efficiency of agricultural production. But on the average, 4.4 tons per hectare of ploughed land were applied, while from 7 to 15 tons are needed to ensure the balance of humus.

Land reclamation has a fundamental role in the achievement of stability in farming. In the 11th Five-Year Plan, 6.9 million hectares of irrigated and drained land were put into cultivation. Capital investments for land reclamation totaled nearly 44 billion rubles, or 16.3 percent of all capital investments in the agro-industrial complex. At the same time, reclaimed lands are still not being adequately utilized when one considers their potential.

The long-term land reclamation program, which stipulates that 3.34 million hectares of irrigated land and 3.6 million hectares of drained land are to be put into cultivation and crop enhancement operations are to be carried out on 8.3 million hectares of land that do not require drainage, was approved at the October (1984) plenary session of the CPSU Central Committee. The program makes provision for bringing the production of grain on irrigated and drained lands up to 32.3 million tons by 1990, including corn up to 9.1 million tons, fodders up to 80 million tons of feed units and vegetables on irrigated land up to 22.5 million tons. State investments of up to 50 billion rubles are slated in order to carry out this program.

In connection with substantial growth in the mechanization of labor and in the power per unit of machinery in agriculture, the problem of reducing the

unfavorable mechanical effect of agricultural machinery on soil has arisen. Therefore, combined-operation tools that make it possible to perform several technical operations in one tractor pass have been put to use.

New soil-protecting systems of cultivation (no-spoil tillage, grain crop rotation with a short cycle that includes a rotation of bare fallow, anti-erosion machinery, etc.), which required the creation of special machinery and agricultural implements, for example needle harrows, were energetically developed and introduced in the 11th Five Year Plan.

Structural changes in agriculture are characterized by an increase in the share of livestock breeding products in gross output (53.1 percent in 1961-1965, 54.2 percent in 1976-1980 and 55 percent in 1981-1985). This is being achieved primarily through growth in the productivity of livestock breeding and changes in the structure of the herd. While from 1980 through 1985 the total number of cattle grew from 115.1 to 120.7 million head, or by 4.9 percent, and the number of cows recently dropped to 900,000 head, state procurement of livestock and poultry (in live mass) during that same period grew by 15.7 percent and milk by 16 percent. But the supply of feeds to livestock is growing too slowly. Calculated per head of cattle, the growth in feeds during the five-year plan totaled 4 percent. This is retarding growth in the productivity of livestock breeding.

Feeds are still not balanced in terms of nutrients, and above all, in terms of protein and a number of other components--something that leads to substantial overconsumption of feeds. The microbiological industry's role in providing livestock breeding with protein and vitamin additives takes on greater importance. The supply of chemical feed additives to agriculture grew by a factor of 1.9.

Such an important sphere of the agro-industrial complex as the production infrastructure (transport, material and technical supply and services, the system for procuring and storing agricultural output, etc.) underwent somewhat accelerated development. Its condition, in large part, determines the safe storage of agricultural output and a reduction in its losses. The supply to the agro-industrial complex of refrigerated trucks, milk trucks, livestock semi-trailers, specialized truck transport to haul granulated sugar, live fish and other products has increased and container shipping is being introduced.

Retail trade turnover in the state and cooperative trade networks in 1985 totaled 324.1 billion rubles and grew by 16 percent compared to 1980, which is much less than in the preceding five-year plan. The correlation between food and nonfood goods (the macrostructure of trade turnover) virtually stabilized, the share of the first group dropping slightly from 50.8 to 50.3 percent, that is, by 0.5 points, while the reduction in the previous five-year plan totaled 2.2 percent. The sale of meat and meat products, cheese, confectionary goods, fruit and berries grew in the group of food goods.

The sale of cultural, consumer and household goods grew at a rapid pace in the group of nonfood goods. At the same time, supplies of goods in the retail and

wholesale trade network grew. While in the 1970's their volume in the retail trade network dropped from 88 to 77 days, over the first four years of the 11th Five-Year Plan it grew to 92 days.

The structure of consumption of food products is still changing too slowly. Thus, the consumption of grain and sugar products exceeds the nutritional norm, the consumption of eggs and fish products approaches it, and the consumption of dairy and meat products and of vegetables is significantly below the norm. By the end of the 11th Five-Year Plan there was greater structural correspondence between available food products and demand, first and foremost, through the more even supply of various types of lard and meat and dairy products to the trade network.

Consistent implementation of the Comprehensive Program for the Development of Consumer Goods production and the service sphere in 1986-2000 should have decisive importance in ensuring the fuller satisfaction of the population's diverse needs for fabrics, clothing, footwear, goods in great popular demand and services.

Foreign trade is an important factor for increasing the economy's efficiency and meeting the population's requirements. The USSR's foreign trade grew by a factor of 1.5 in the 11th Five-Year Plan. It should be noted, in analyzing structural improvements in export and import, that certain unfavorable trends that arose in the 1970's have slowed. The export and import of machinery and equipment is stabilizing, the import of ores and metals is dropping and the export of chemical products has begun to increase.

Thus, structural advances in the economy on the whole were determined by the requirements of the country's economic and social development, including the acceleration of scientific and technical progress. While they are slowing and the growth rates of major branches are converging, inner-branch structural improvements are intensifying and interbranch ties are continuing to improve. This situation is linked with the relocation of the center of gravity of developmental factors on scientific and technical progress, which determines the structural advances in a number of leading branches of machine building, as well as within traditional branches in connection with the appearance within these branches of new production facilities and the creation and development of new technologies. The accelerated development of new technologies and production facilities, while still insignificant in terms of total output and share of resources consumed, but rather science-intensive and requiring concentrated attention and efforts, will make it possible in a very short time to increase labor productivity several times over and increase the efficient use of all types of resources.

Creating favorable preconditions for the acceleration of the country's social and economic development, the all-out intensification of production and an increase in its efficiency, progressive structural advances will serve the accomplishment of the highest goal of the party's economic strategy--a steady improvement in the people's material and cultural standard of living.

COPYRIGHT: Izdatelstvo "Ekonomika", "Planovoye khozyaystvo", 1986.

13149

CS0: 1820/160

INVESTMENT, PRICES, BUDGET, AND FINANCE

DISCUSSION OF PRICE REFORM MECHANISM CONTINUES

Parametric Series Proposed

Moscow EKONOMICHESKAYA GAZETA in Russian No 18, Apr 86 p 8

[Article by A. Buzhinskiy, deputy general director of the Moscow "ZIL" Motor Vehicle Plant imeni I.A. Likhachev: "Price Level Substantiation"]

[Text] Improvement of the setting of prices is one of the important parts of revamping the entire economic mechanism. The discussion of these matters has been arousing an understandable interest on the part of economists--both scientists and practitioners. In our view the problem of raising the level of substantiation of wholesale prices and net output norms should occupy the central place in the discussion.

Expansion of the independence of associations and enterprises, enhancement of the role of profit as the source of incentive funds and resources to update production, and intensification of the influence of the growth rates of economic indicators on the material prosperity of work collectives--all these factors are what make the problem of the soundness of prices an urgent problem and one might say a key problem.

No one will dispute that the socially necessary costs of production are the most correct basis for determining the level of prices. But this approach, which is irreproachable from theoretical positions, encounters serious difficulties when it is implemented in practice. The whole point is that so far no reliable method has been worked out for determining the socially necessary expenditures. And until there is such a method, the corresponding set of instruments will also be lacking in the form of instructions as to methods, implementing regulations, and so on.

In practice the individual costs of enterprises manufacturing a product are the basis of most wholesale prices of the manufacturing branches of industry and of machinebuilding in particular. Under those conditions the prices cannot reflect the real cost of the products. Meanwhile it was noted at the 27th congress that the price level should be linked "...not only to costs, but also to the performance characteristics of products, to the efficiency of products..."

Aside from the fact that the cost mechanism for setting prices does not reflect the use values of products, it places enterprises in an unequal position. For a plant which is putting a new product into production it is profitable to have high production costs for the product and high labor intensiveness, since this will guarantee a high level of wholesale prices and NChP [net output norms] and consequently substantial growth rates of the volume of output accompanied by lower growth rates of the volume of use values produced.

To put even progressive products into production, by contrast, if they have a low production cost and labor intensiveness, can bring the growth rates of the volume indicators down. Yet under the new conditions for the conduct of economic activity it is growth rates which determine the economic prosperity of work collectives. Associations are assigned growth rates for the volume of production and labor productivity in 5-year plans and growth rates of labor productivity in current plans: the wage fund of industrial production personnel proper depends on the growth rates of NChP, the fund for social welfare and cultural programs depends on the rise of labor productivity, the material incentive fund depends on the drop in the production cost, even though the production cost itself is determined to a considerable extent by the increase in the volume of marketable output.

The motivation to reduce the production cost and labor intensiveness of products produced at enterprises is actually lacking, and enterprises whose production is in small lots or single units may deliberately avoid cutting costs. One thing that is manifested here is the shortcoming of the NChP as an indicator, which does not encourage a drop in labor intensiveness in such production operations.

It seems to us that this circumstance is one of the main causes of the stable rise of prices of equipment when there has been no substantial improvement in its performance characteristics.

Moreover, the method that has been adopted for determining the profit that is to be incorporated into the price at the standard rate of profitability is also related in essence to costs: the higher the costs, the greater the profit.

In the context of the transition to full self-financing a paradoxical situation may come about: an enterprise which has been vigorously introducing new technology and as a consequence has low production costs will receive a small profit, and this may not be sufficient to constantly update its productive plant.

We cannot but mention, of course, that the incentive supplements to products in the superior-quality category and for highly efficient new products do represent something constructive in our price setting. But first of all, most of this is credited to the material incentive fund and enterprises receive little funds for the technical updating of production from those supplements, and second, the size of the supplements is relatively small. For instance, the "ZIL" Association, 66 percent of whose products bear the Quality Emblem, receives only about 10 percent of its profit in the form of incentive supplements.

Improvement of the system of price setting, I am convinced, must go in the direction of estimating the use values of products regardless of the individual costs incurred by enterprises in producing them. This idea can be realized in practice through a system of parametric series of products, and the price level can be determined on the basis of those series.

It needs to be noted that there has been favorable experience with this approach to price setting. For example, introduction of the standard-parameter method of setting prices for metal has made it possible to settle a number of issues in this complicated field. Price List 25-01, in which the prices determined on the basis of the complexity of production and the size of the production run, is being used effectively for castings and forgings. Thus USSR Goskomtsen has taken the first steps in this direction.

We understand that constructing parametric series is a very complicated job for the products of machinebuilding. But there is a certain amount of experience even in this field. To be specific, a series of that kind has been devised for home refrigerators. To be sure, when the actual prices were set, this series was abandoned, and as usual they used the cost method. As a consequence, the "ZIL" Association turned out to be in a patently unprofitable situation, since the production cost of our refrigerator is considerably lower than the production cost of equivalent products of other plants. If the wholesale price were determined on the basis of a parametric series, this product would be more profitable for "ZIL."

One of the main questions in connection with devising a parametric series of prices is the relation of prices to products with a different value of the basic parameter. In other words, a point of departure is necessary to form the series. It seems to us that this point of departure might be the price relations of various types of products that actually exist on the world market. The use of a system of prices constructed on the basis of parametric series would afford a real possibility of bringing about an acceleration of technical progress in an economically efficient way.

The transition to setting wholesale prices on the basis of parametric series constructed in the way proposed could have the result that some enterprises would lose money, while others on the contrary would become very profitable. Is there any reason to be afraid of this if it actually reflects the quality of performance of those collectives?

As a matter of fact, use of the Price List 25-01, which was mentioned above, for workpieces has shown that their production is a losing operation at a machinebuilding plant, since the price list was compiled on the basis of the costs of specialized plants making these workpieces, and it only objectively reflected the necessity of making this production operation more specialized.

If high profit results from causes which do not depend on the performance of the collective, a system of fixed payments into the budget could be introduced.

Obviously, the best scientists and practicing economists should be recruited for compiling the parametric series of products, since this is a very complicated job and thorny problems will arise in performing it. But, as the saying goes, the game is worth the candle: the method proposed is an altogether realistic way of solving the important problem of improving the price system.

Linking Price to Efficiency

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 86 p 7

[Article by Prof Yu. Borozdin, doctor of economic sciences: "Prices and Efficiency"; see JPRS-UEA-86-022 of 7 July, pp 49-54, 54-59]

[Text] The problem of reflecting the performance characteristics of products, their effectiveness, in prices is one of the basic issues in improving the setting of prices. A. Deryabin takes note in his article "Price and Quality" (EKONOMICHESKAYA GAZETA, No 19) shortcomings in the practice of setting wholesale prices and price supplements and also the shortcomings of indicators characterizing performance characteristics and the methods of calculating the economic benefit. In our view solving this problem requires a radical revamping of the methodology of planned price setting so that prices reflect more fully the social use value of the product, which expresses the level of satisfaction of the needs of society.

Once Again on the Subject of the Cost Principle

But what characterizes the level of saturation of needs? In the context of extensive economic development this will above all be a quantitative increase in production of products and rendering of services on the previous technical basis, while for an economy of the predominantly intensive type it would be qualitative improvement of the products and services produced, a steady rise of performance characteristics and efficiency and conservation of resources.

The present methodology and the way the work of price setting is currently organized mainly correspond to the existing economic mechanism, which was built in large part on the cost principle. Wholesale prices, which in essence are only an instrument of social bookkeeping, reflect the level of actual current production costs. Such prices, which are set after the pattern of "production cost plus standard profit," cannot be used for selection of optimum economic decisions, for evaluation of the effectiveness of alternatives of economic development in planning projections. They are not even oriented toward the level of current costs, but toward the magnitude of past production costs. It is sufficient to mention that the wholesale prices of industrial products introduced as of 1 January 1982 were calculated on the basis of the 1980 production cost.

The cost principle in the setting of prices, the crediting of profit in proportion to costs, objectively places in a preferential position those branches, associations, and enterprises in which the level of costs is higher. This encourages higher inputs of physical, labor, and money resources and objectively stands in the way of establishing correct intersector and intrasector price

relations and effective reflection of the interchangeability of products and resources in prices.

The article by G. Chubakov "The Price and the Plan" (EKONOMICHESKAYA GAZETA, No 17) states that "the essence of the counter-cost approach is the orientation of wholesale prices and rate schedules toward the socially necessary production costs."

But what is the criterion of the social necessity of production costs? The author does not provide an answer, although he must be well aware that price setting authorities do not have at their disposal a real criterion of that necessity in the form of the total saving of social labor and resources occurring in the process of a product's consumption. The dynamic pattern of actual costs is a reference point here. Otherwise how are we to explain the "ideology" of recent revisions of wholesale prices (as of 1 July 1967 and as of 1 January 1982), which resulted in a substantial rise of wholesale prices, above all for the products of the fuel and energy and raw materials complex. And how is one to square with this the author's assertion that "it is fundamentally important to the price system to speed up the rise of the productivity of social labor and consequently the drop in socially necessary costs"? After all, the productivity of labor was rising in all those years, though not at a very high level. Using the author's logic, the socially necessary expenditures were also dropping, but still the wholesale prices continued to rise and are rising even yet.

The conception of production costs defended in the article is in fact, in our opinion, the ideological basis of the cost approach, which has now come into manifest contradiction with the tasks of a major improvement of our economic mechanism and the setting of prices in particular. A typical example of the cost approach to the setting of prices, according to information of USSR Goskomsen (EKONOMICHESKAYA GAZETA, No 17), is the setting of a wholesale price for the industrial sector of 27,000 rubles on a lot of 100 "Don-1500" combines, which were to be sold to agriculture for 11,000 rubles, and an incentive supplement was also applied to those prices in the amount of 400 rubles.

It is obvious that the price at the level of 11,000 rubles is the maximum permissible price for the conditions of consumption which would make it possible to achieve an economic benefit in agriculture using the "Don-1500" combine, as compared to the SK-5M "Niva" combine. This price does in fact represent the limit on the level of production costs which may not by any means be exceeded. Yet in practice it has been exceeded by almost 2.5-fold, as indicated by the manufacturer's price of 27,000 rubles. This means that society is taking an economic loss of 16,000 rubles on every one of the combines produced.

In a situation where there is a system of two price lists in effect (one for the manufacturers and another for the consumers), we have an opportunity at least to know the proportions of the losses to the national economy. But after all, most computations are done in the prices of a single price list based on the manufacturer's costs. Then it becomes altogether impossible to determine the size of the economic loss which occurs when an economically inefficient product is put into production.

How can the transition be made from the principle of "from costs to the price" to the principle "from efficiency to the price"?

In order to answer that question we will examine the content of the term "efficiency," which in the most general form is the ratio of the result to the costs.

The creation of a product is the result of production, but its social use value is its most important characteristic. It is this characteristic of any commodity that is related most directly to satisfaction of needs, which is the purpose of social production under socialism. But this description is insufficient to elevate the category of the use value to the level of indicators used in planning and setting prices. There has to be a specific discussion of what particular functions in satisfying social needs are performed by the subjects and means of labor and also by the subjects of consumption, and what those functions are manifested in.

The subjects of labor consumed once and for all in a single production cycle manifest their use value in the product on which they were expended. Consequently, the efficiency of the subjects of labor may be estimated from the standpoint of the overall efficiency of the means of labor or consumer product made with them. And the price of any raw material, supply, fuel, or energy must be determined as a share of the total benefit imparted to the product in which that subject of labor is used. Means of labor which are used over a number of years guarantee that the consumer will obtain a benefit by virtue of a number of factors. For instruments of labor, for example, this may be productivity, durability, or reliability of equipment, reduction of current operating costs and the consumer's accompanying capital investments. Certain social results might also be achieved using the equipment (environmental protection, improvement of working conditions). It is these characteristics, measured in the form of value indicators of the total benefit for the consumer, that ought to determine the level of the price of the means of labor.

The efficiency of consumer goods is realistically manifested in the demand of the public, which in fact presupposes that the level of that demand must absolutely be taken into account in setting the prices of consumer goods and services.

The result of production must be compared to the costs, represented by the full cost to the national economy incurred in producing and selling the product. This would include, in our opinion, not only current costs (production cost), but also the size of the manufacturer's net income, which would be determined at rates that would be uniform throughout the entire national economy, relative to the production resources used in manufacturing the product.

If the growth of the result were to accurately correspond to the growth of costs, then there would not even be any problem of reflecting the efficiency of the product in the prices. It would be enough to set the prices at the level of production costs and add the standard rate of profit (as is now done). But this pattern does not exist and in fact should not exist in the context of intensification of production and large-scale application of the advances of

scientific-technical progress. A rise in efficiency signifies first of all that the results are increasing faster than the rise of costs. More favorable situations are also possible in which the results increase while the level of costs stays stable or even decreases.

Ceiling Prices and Negotiated Prices

An inevitable question arises: What does society gain if prices rise in the same proportion as the efficiency of the product? Don't the prices "eat up" the saving on social labor and resources which is achieved as a result of scientific-technical progress?

There is some basis for this fear if the present methodology and practice of price setting are retained. After all, they were devised under the pressure of manufacturers who presented to price authorities not only a projection of their own costs, but also the size of the calculated economic benefit which the consumer of their product was supposed to obtain.

It is very easy to obtain a formal confirmation of this benefit from the consumer, since he has no real interest whatsoever in a reduction of the prices of the product which is to be delivered to him. Whatever their level, it will be reflected in the estimated costs. Financial resources will also be furnished accordingly. This kind of practice is especially impermissible in the context of accelerating rates of scientific-technical progress, since the orientation of prices toward the actual costs of manufacturers of new technology could (and does!) make it considerably more expensive.

But the real efficiency of scientific-technical progress consists of the saving on social labor and production resources expended in the sphere of consumption. Only a comparison of the size of the benefit actually obtained to the level of production costs of making the new technology can serve as a criterion of the effectiveness of scientific-technical progress from the standpoint of the national economy.

It would seem that all these problems should have been solved in the "Method of Determining Wholesale Prices and Net Output Norms for New Machines, Equipment, and Devices for Production and Technical Purposes," which was approved by USSR Goskomtsen in December 1982. But this did not happen. The course adopted in the method was to actually remove consumers of new technology from the processes of price setting. The ceiling price, which previously was the only means whereby the consumer could check the level of the wholesale price, is now calculated by the organization that drafts the technical assignment together with the assumed manufacturer. And a cost formula pure and simple is used: the ceiling price equals the production cost in the design stage plus normative profit).

As a consequence the manufacturer can count on the price reimbursing practically all costs, since the subsequent "verification" of whether these costs are allowed by the size of the economic benefit is performed by the manufacturer himself. Moreover, the components of the benefit in the design stage are not subject to precise quantitative determination. It is not surprising

that the prices of new technology quite frequently increase more rapidly than its useful benefit in the consumption sphere.

How is one to implement in practice the approach we have proposed to setting prices in the context of intensification and scientific-technical progress?

First of all, reflection in the prices of the social use value (useful benefit) of the product must become the decisive criterion in setting price levels and price relations. The price computed in this way is compared to the level of the manufacturer's production costs. And if the difference is positive, the question is decided on when and on what scale this product is to be produced so as to take into account society's need for it.

Second, the planning of production and price setting need to be completely linked and prices need to be turned into an effective instrument for balancing resources and needs. To this end more extensive use should be made of stepped prices, which change not only from one stage to another over the product's obsolescence, but also to take into account the successive saturation of spheres of the product's use with a differing rate of benefit.

Third, ceiling prices, as prices which are the maximum allowable prices for the conditions of consumption, must be set by the client and must be indicated in the technical assignment he drafts for production of the product. Under no conditions should the wholesale price exceed the level of the ceiling price.

Fourth, the sphere of centralized price setting must extend only to products which determine the production structure. The bulk of products should be sold at negotiated prices, and the methods of determining them must be regulated in the relevant normative documents.

Fifth, the active role of the price in speeding up socioeconomic development must be substantially enhanced as the transition is made to wholesale trade in means of production and to the functioning of enterprises and associations on the basis of full cost accounting (khozraschet).

Of course, realization of the approach proposed will yield the greatest benefit only in an overall set of measures aimed at a major revamping of the economic mechanism. But certain steps in this direction can and need to be taken even now. In particular, considerably greater attention ought to be paid to the methods of determining price levels and relations, rather than to numerous systems of supplements (and far more rarely deductions) applied to cost prices. Such systems do less to clarify than to confuse the process of price setting and open up substantial opportunities for arbitrary solutions.

Counterprice Approach Urged

Tbilisi ZARYA VOSTOKA in Russian 7 Jun 86 p 2

[Article by Mamiya Megrelishvili, chairman of GSSR Goskomtsen: "Price Setting: So as To Take Into Account the New Requirements"]

[Text] Particular attention was paid at the 27th CPSU Congress to the need for further improvement of the system of prices, which are called upon to become an active instrument of economic and social policy. The price system is to undergo a planned revamping, said Mikhail Sergeyevich Gorbachev in the Policy Report of the CPSU Central Committee, as a unified entity in the interests of setting up effective cost accounting (khozraschet) and in keeping with the tasks of increasing real personal income. Prices are to be given greater flexibility, their level is to be linked not only to costs, but also to the performance characteristics of goods, to the efficiency of products, and to the degree of balance between output and social needs and public demand.

The great effort made back during the 11th Five-Year Plan both in the country at large and also in the republic is a prerequisite for accomplishing qualitative shifts in the field of improvement of prices. Wholesale prices, purchase prices, and estimate prices were revised. While the general stability of retail prices was safeguarded, measures were taken to improve them. An effort was made to put order in the system of rate schedules for consumer and municipal services for the public. As a consequence prices have begun to reflect more fully the socially necessary expenditures of labor; by and large they guarantee the profitable operation of all enterprises and branches performing normally as well as formation of stable revenues for the state budget.

But all that has been done is not enough. There is a need on the basis of today's requirements to restructure the price system so that they play a more active role in the intensification of production, in speeding up scientific-technical progress, and in solving social problems.

We will begin with the problem of creating a countercost mechanism for management of the economy. This question is directly related to the demand of the congress that prices reflect more fully the socially necessary expenditures of labor. Here prices must play the role of a true standard that would orient producers not toward individual costs, but toward those costs which correspond to the socially normal conditions of production. Unfortunately, it has not always been possible to achieve that correspondence.

Some producers strive to turn prices into an individual measure of costs, and in that way they attempt to provide preferential operating conditions for themselves--without strain, without true concern for seeking out additional unused potential. And we, that is, price setting authorities, taking into account various arguments made by the enterprises, and then they are backed up by the ministries, undertake concessions, we lower requirements, and we resign ourselves to unjustifiably high costs. Here is an example. Several years in succession the republic's Goskomtsen has received applications to extend the validity of prices higher than equivalent articles on the products of the

Zugdidi Chinaware Plant, which has been operating with large losses and up to now has not been able to deal with chronic deficiencies in its technology and organization of production. And every time we have listened to promises that the situation would be corrected. Promises and no more than that. This has to be done away with. Because otherwise it violates the fundamental principle of planned setting of prices--reflection of the socially necessary expenditures in prices, and that in turn encourages mismanagement and gives an incentive for the cost direction of the development of production. Together with the authorities for standardization and ministries and departments we have a great deal to do to overcome inertia on this important question.

The decree of the CPSU Central Committee and USSR Council of Ministers entitled "On the Broad Dissemination of New Methods of Economic Activity and on Strengthening Their Impact Toward Acceleration of Scientific-Technical Progress," in which fundamental importance is attributed to the price system among economic incentives has great importance to pursuit of the course aimed at speeding up the country's socioeconomic development. In order to strengthen the stimulative role of prices in expanding the output of goods for production and technical purposes qualifying for the superior-quality category, a supplement is applied to the wholesale price. It is retained if this product qualifies for the superior-quality category in subsequent certifications as well. At the same time the new mechanism introduced by that decree acts as a disincentive on production whose technical-and-economic indicators do not correspond to the level of the best world models. A deduction from the wholesale price in the amount of 5 percent in the 1st year, 10 in the 2d year, and 15 in the 3d year is applied to products for production and technical purposes which are assigned in certification to the first-quality category. If in subsequent certification this product does not qualify for the superior-quality category, it must be withdrawn from production.

The system of incentive supplements also provides for stimulation of scientific-technical decisions aimed at saving on physical and labor inputs. Incentive supplements are applied to wholesale prices of new products whose production cost is lower than the products they replace. By contrast with the previous mechanism, the mechanism introduced under that decree calls for a direct relationship between the deductions from wholesale prices and the formation of the enterprise's incentive funds.

As is evident, the new mechanism contains adequate incentives for acceleration of the technical updating of production. But, as experience has shown, great difficulties have been encountered in the practical implementation of the system of establishing these supplements and deductions. The passive attitude of enterprises toward their application was felt even in the old system, which was more preferential for them. Now that conditions have become stricter, there will obviously be far more obstacles. That being the case, a particular responsibility falls upon authorities for pricing and the setting of standards; they must exercise constant and strict control over the application of the deductions so as to make them an effective means of displacing outdated products and equipment with low productivity.

One of the complicated and responsible areas of the activity of pricing authorities is the effort to establish and regulate retail prices, which have a direct impact on the level of the standard of living and, of course, affect the interests of all the country's citizens. The 27th party congress set forth the principle of conducting retail price policy in accordance with the tasks of increasing real personal income. In the current 5-year period steps are to be taken to reduce prices of certain consumer goods as their production becomes more efficient, their production cost drops, and the necessary commodity and financial resources are built up. At the same time, it should be noted, retail price policy is not restricted solely to regulating their level by any means. An equally important problem is achieving the flexibility of retail prices so as to take into account the changing conditions of the market and also to guarantee that they are optimally differentiated as a function of quality and newness of products, their correspondence to the requirements of fashion, and other characteristics.

Achievement of the flexibility of retail prices when their overall level is kept stable is not a simple problem. It involves many difficulties both economic and organizational in nature. Nevertheless, this problem has to be solved, since it is one that reality itself poses for us. And there are still quite a few shortcomings in this respect, as indicated by the large volume of products which do not sell and have become stale both in industry and also in the trade sector. We are still not taking sufficient advantage of the rights which have been afforded in applying price levers in this area.

For example, there is a special regulation in effect on the procedure for establishing reductions of wholesale prices for goods for which the public demand is limited. But it must be said that the effectiveness of its use is very low. Over the entire past year the reductions have been instituted for only 12 products. The reason for this is that the manufacturing enterprises strive by hook and by crook to avoid the institution of those reductions, and at the same time trade organizations have not shown due interest in discovering those products which do not sell, and they rarely file material on this question with Goskomsen. Nor do we ourselves disclaim responsibility. Price setting authorities must show a high level of exactingness and persistence in this matter.

In a number of cases the limited nature of demand has resulted from the low quality of products and from the high retail prices they bear. It would seem that we should undertake to lower them, but that question points up the permanent and stable sources of financing; because they are lacking, sometimes price setting authorities cannot carry out such an action even though there is a manifest need for it. For example, it took several months to finally achieve a drop in the retail price of household cords manufactured by the Rustavi "Khimvolokno" Production Association, even though the enterprise itself, which had achieved a drop in production costs, had taken the initiative and had submitted a proposal to Goskomsen. Which means that in this area we need a comprehensive approach and a simultaneous solution of financial and organizational problems.

The practice of establishing temporary prices (including a supplement to permanent prices) on consumer goods of improved quality and of applying negotiated prices by agreement between production associations (enterprises) and organizations in the trade sector is helping greatly to achieve flexibility of retail prices. The further development and improvement of these forms is envisaged by the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improvement of Planning, Economic Incentives, and Refinement of Management of the Production of Consumer Goods by Light Industry."

Monitoring activity occupies a large place in the work of our committee and that of local pricing authorities. We need to restructure it to take into account the demands of the times. Here the main directions are to expand the practice of conducting checks of the economic substantiation of prices and rate schedules so as to take into account optimum use of physical and labor resources, optimum effectiveness of incentive supplements to wholesale prices of new technology, and also the correctness of applying deductions to those prices. In future more attention will be paid to checking whether consumer goods correspond to the approved samples and models, since, as experience has shown, some manufacturers submit an excellent product in connection with the setting of prices, but at times the products of large-scale production have nothing in common with that model at all.

In short, we will strive, as noted in the CPSU Program, for prices to act more vigorously as an incentive for scientific-technical progress, resource conservation, improvement of the technical-and-economic and performance characteristics of products, and the introduction of everything that is new and progressive.

Moscow PRAVDA in Russian 15 Jun 86 p 2

[Article by Prof R. Khasbulatov, doctor of economic sciences, Moscow: "What Can Be Seen in the Mirror of the Price?"]

[Text] At the 27th CPSU Congress there was discussion of the need to work out effective countercost incentives. The question was raised of prices becoming an active instrument in economic and social welfare policy. They need to be given greater flexibility, and their level needs to be linked not only to costs, but also to the performance characteristics of goods and to the efficiency of products.

Dialogues

Recently the pricing mechanism has been subjected ever more sharply to sound criticism. The main reason for its weakness lies in the fact that this mechanism, which took shape in the context of extensive economic development, has not reliably been subjected to the necessary changes. And those which are taking place do not affect the actual foundations of the setting of prices in effect and do not take into account the new conditions inherent in the demands for speeding up economic development. By the nature of our line of activity

we often have occasion to talk to business executives taking courses at the Moscow Institute of the National Economy imeni G.V. Plekhanov. These conversations are of some interest.

I asked V. Glushchuk, director of the "Daltekhrybprom" Pilot Machinery Plant:

"What is your attitude toward the price system now in effect?"

"Pricing procedure needs to be changed. Moreover, these changes must be fundamental."

"Meaning what?"

"The prices in effect are advantageous to enterprises manufacturing products. But they are extremely disadvantageous to the state and to a particular purchaser. They do not arouse an interest on the part of enterprises to make their product less expensive."

"Our pilot plant 'Promsvyaz' in Ufa," we were told by S. Belozerov, chief economist of the enterprise, "is manufacturing assemblies for radio-relay equipment. Since the prices were originally set on our product we have achieved a threefold rise in the rate of profit mainly thanks to stable high prices. This has, of course, been profitable for us. It is the customer who has been losing."

"But after all that kind of economic activity represents a direct loss to the state as well."

"There's no getting around that," S. Belozerov agreed. "Of course, we can file our proposals with USSR Goskomtsen to reduce the price of the products. But then the plant would fall in the ranks of the laggards with respect to indicators which are reported and planned. After all, the volume of marketed output in money terms is the basis of planning."

For example, how is labor productivity calculated? Commodity output is divided by the number of workers. Consequently, the higher the price of the product, the larger the volume of commodity output. Labor productivity is also higher on that same basis.

The Paradox of "Svetlana"

The example of the Leningrad "Svetlana" Association has already been referred to in the press. They have introduced a new technology based on a qualitatively new instrument. This technology has proved to be many times more efficient than the old one, but also much less expensive. So what has happened? Did labor productivity rise or fall in the enterprise? Any student of economics who has studied the science of economics will say: it has risen many times over! The pricing methodology in effect says that the collective of "Svetlana" has been performing badly and failed to cope with its reported planning indicators. As soon as the volume of marketed output in rubles fell, the indicator of labor productivity also dropped off correspondingly.

The rise of labor productivity signifies a reduction in the expenditures of labor per unit of the useful effect. In practice it is just the other way about: If an enterprise achieves a real rise of labor productivity, if it creates and uses less expensive and more productive and reliable machines and devices, it risks ending up among those who are not fulfilling the plan.

It is well known that many advances of science and technology were "rejected" by production not because the managers in the leadership were incompetent, but because introduction of the innovation, which sometimes afforded even an immense economic benefit to the economy, detracted from the enterprise's planned and reported indicators.

Scientists in the field of materials in Kiev have created a self-lubricating bearing made of a composition. In its parameters it is 10 times better than the equivalent ball bearing that is in use. But this bearing costs one-thousandth as much. Industry has a colossal need for it. But so far not a single plant in that field has put this innovation into production. Why? Well, because in a situation where the performance of manufacturing enterprises is oriented toward obtaining maximum profit, it does not pay to produce cheap products. Regardless of the benefit to the national economy.

What is the solution? The price setting methodology that has been in effect for decades, which corresponds to an outdated economic mechanism with its cost principles, has to be determinedly broken up.

Today prices are set according to the simple formula of adding standard profit to the production cost. The essence of the defect is that the cost approach to setting prices places in a preferential position those enterprises and entire branches where the level of costs is higher. That is, what actually is the bad side of the performance of enterprises is artificially elevated to the rank of an advantage. The setting of prices on the basis of costs has to some extent been an inevitable consequence of the period of extensive economic development.

But today this procedure has come into full contradiction with the tasks of intensive development. It does not allow for improvement of the planning system or for application of the innovations of scientific-technical progress. That is, it is blocking improvement of the entire economic mechanism. It seems that that interrelationship, which was stated straightforwardly by the 27th CPSU Congress, is not understood even yet in all departments and ministries.

What Are Jeans Selling For Now?

As a matter of fact, you remark, it is a long time now since the fashionable jeans made in the West costing 100 rubles have had customers in the stores in the capital? Right alongside are our domestic jeans of almost the same quality, costing half as much. But no one is in a hurry to get them either.

Is there anything harmful to be seen in this case? Planning organizations take the position that if a thing is foreign, it ought to be sold at a higher price.

It is clear that imports have a double function: to satisfy the demand of the public for certain goods and at the same time to try to earn something on the basis of the difference between prices on the world markets and their sale on the domestic market. But actually if the point of departure is not the short-term gain, the second function of imports brings not only a benefit, but also a considerable harm to the economy by tending to slow down the growth rates of social production.

When we sell, say, imported jeans and women's shoes at a price of 100 and 150 rubles, our enterprises manufacturing equivalent goods and also organizations that set the prices of them orient producers precisely toward those arbitrarily established prices. Enterprises do everything to substantiate...an unjustifiably higher price for "their own" commodity.

Things are more complicated with "price setting on the basis of cost." Here it is rather that the traditional price setting mechanism adapts to the new conditions. That is why enterprises remain as they were in the past clearly oriented toward steadily raising the prices of their products on the basis of higher production costs. They obtain planned profit without complicated measures aimed at raising labor productivity and efficiency, and without the inevitable risk incurred in making the transition to the use of up-to-date methods and new technology.

Since the production cost has remained the key criterion for determining the base price, it figures as the universal indicator of costs throughout the entire system of cost-accounting relations. That is why no partial measures such as the reductions implemented by USSR Goskomsen and which are instituted in connection with certification of products cannot stop enterprises from looking to higher prices. Because the conditions have been retained in which enterprises are motivated to hike up both the production cost and the benefit in the prices they submit for approval. Just alter one part, and you qualify for the code "N," and the product becomes as much as 20 percent more expensive. About a third of all the products of light industry have been awarded the code "N." It is relatively easy to obtain, since there are no straightforward criteria for determining what is new. As a result the extensive and uncontrolled application of this method has turned into a means of unsubstantiated hiking up of prices on products and of obtaining additions to the price.

The various aspects of price setting cannot be discussed in simplified terms, solely from the standpoint of obtaining one effect, of solving one problem, detaching them from the system of relations that have come about under the influence of prices on the conditions of production, exchange, and sales. They are thereby closely bound up with the productivity of labor and production efficiency. Prices can orient enterprises toward being explorative, toward being innovative, toward constantly updating their products to keep up with conditions on the market and the needs of the market. And conversely, they can act toward reducing production efficiency and labor productivity, and they can have an adverse impact on product quality. The latter occurs when the inherent relation between prices and socially necessary expenditures of labor in the production of a product is violated, when prices are arbitrarily hiked up

by administrative decisions dictated by shortcomings in other areas of economic activity. In such cases the way out may seem externally simple--there are goods which are in greater demand, let us raise the prices for them. This is fundamentally contrary to socialist planning. Thus the apparent independence of price policy, its detachment from use values created in the work process acts as a very powerful brake in the economic development of society. The orientation toward prices no higher than the prices of the world market for the identical goods must become the principle in the economic performance of enterprises and in their concrete cost-accounting practice. A determined change of direction toward scientific methods of setting prices, which negate the "cost" approach, must become the basic direction. It is above all necessary to give up the directive method of setting prices. They must be set so that prices take into account the social use value and useful benefit of a product.

It is indispensable to be more vigorous in developing and applying in practice the method of negotiated prices arrived at by agreement between manufacturing enterprises and the trade sector. But this means making the transition to a procedure in which the income of trade will depend on the volume and level of satisfaction of the real demand of the public. The indicator of the volume of sales needs to be abandoned, since sales can increase on the basis of higher prices. The trade sector, as a representative of the consumer, must be motivated to seek lower prices.

We need a mechanism for setting prices that would motivate enterprises to constantly lower prices, which would bring them a benefit. Our task is to turn the pricing mechanism into a powerful incentive for seeking out new potential aimed at speeding up forward progress.

7045

CSO: 1820/173

INDUSTRIAL DEVELOPMENT AND PERFORMANCE

GOSPLAN OFFICIAL ASSESSES EXPERIMENT'S IMPACT ON PRODUCTION

Moscow PLANOVoye KHOZYAYSTVO in Russian No 5, May 86 pp 46-50

[Article by V. Ilin, USSR State Planning Committee subdepartment chief, under the rubric "The Economic Mechanism: Improvement Problems": "The Economic Experiment and Production Development"; capitalized passages published in bold-face]

[Text] Solution of the new problems in the economy, it was stressed in the CPSU Central Committee Political Report to the 27th Party Congress, is impossible without profound reorganization of the economic mechanism and creation of a sound, effective and flexible management system permitting the full realization of socialism's potential.

The need for such reorganization was recognized rather long ago. Important steps have been taken in this direction during recent years. A more extensive search than ever before for more effective forms of management and their experimental testing, and the dissemination of innovations that have proved worthwhile have become a distinctive sign of modern economic life. Thus, one of the most important problems (and, at the same time, conditions) of the economic experiment that has been conducted in industry since 1984 has been broadening the rights and increasing the responsibility of associations and enterprises, of that production unit, that is, in which material wealth is created and all the threads of management are woven together, while defects in the economic mechanism are revealed especially noticeably. Extensive dissemination of the new management conditions in 1986, and the planned completion of all industry's change-over to them in 1987 predetermine the need for thorough analysis of the new methods, discovery of their strong and weak aspects, and improvement and stepwise expansion of the sphere of their application. In this connection, improvement of the management methods is being carried out taking the distinctive features of the individual sectors into account in order not to repeat the errors of the past.

Analysis of the results of the activity of the ministries and enterprises that have worked under the economic experiment's conditions in 1984 and 1985 has shown that great potentials have been discovered for increasing production efficiency and product quality, and for improving the work of labor collectives on the whole. Introducing the management methods tested during the economic experiment into practice is an important step in creating a sound national economy management system which provides, in organic unity, for improving planning, strengthening the effectiveness of economic spurs and incentives, and improving management's organizational structure.

Under the economic experiment's conditions, measures were developed, aimed at strengthening the economy's centralized management in combination with developing democratic principles in the national economy's guidance; increasing the role of labor collectives in management, and providing incentives for high-quality, highly productive labor, initiative, and enterprise; accelerating scientific and technical progress; intensifying production; and extensive introducing of cost accounting. In other words, THE TASKS OF IMPROVING PLANNING, ACCELERATING THE DEVELOPMENT AND INTRODUCTION OF NEW TECHNOLOGY, INCREASING THE INTEREST OF LABOR COLLECTIVES IN THE GROWTH OF PRODUCTION EFFICIENCY, AND STRENGTHENING COST ACCOUNTING were set.

Let us examine the goals, ways of attaining them, and results of the experiment in each of the indicated areas.

IMPROVING PLANNING. The main problem that had to be solved in the economic experiment was: how to strengthen the role of production associations and enterprises in the development of plans at all planning stages and increase their responsibility for fuller satisfaction of the national economy's and population's requirements. At the same time, the problem was posed of increasing the 5-year plan's role in the activity of enterprises. For this purpose it was necessary to limit the number of indices being established in the 5-year and annual plans, and aim them at providing for the output of high-quality products, increasing labor productivity, and reducing production costs. To orient the enterprises for the output of products needed by society and the population, the fulfillment of product deliveries in accordance with concluded contracts was taken as the main evaluating index. It was planned to apply economic standards intended to stimulate better utilization of all forms of resources more extensively, and, at the same time, to guarantee the enterprises stable management conditions under which the amounts of funds being received by them for wages and social development were set in direct relation to the end results of work. These standards must be developed in the form of control figures and be conveyed before the beginning of the plan's preparation, and it is essential, moreover, to ensure their stability.

Planning technology had to be changed. The USSR Gosplan [State Planning Committee], the USSR Gossnab [State Committee for Material and Technical Supply], the ministries, and the departments had to accelerate plan development and conveyance to the enterprises in order that the latter might have the opportunity to prepare production and conclude contracts for the delivery of products in advance, before the beginning of the planned year. Such a technology justified itself in the development of draft plans for 1985, and will be used henceforth (with allowance for improvement).

As a result, the enterprises, as early as in the process of preparing detailed draft plans based upon the control figures conveyed to them for production volumes and resource limits, have begun to work actively with product consumers and material and technical supply agencies, discover inconsistencies, and submit proposals for the elimination of these to the planning agencies. The work on formulating contracts is being transformed from a stage in implementing the

plan into a stage in its preparation, and the plan's balance is being ensured for specific products. All of this has permitted improving the fulfillment of quotas and obligations for product deliveries, inasmuch as their fulfillment at enterprises of the sectors operating under the new management conditions is significantly greater than for industry as a whole. According to USSR TsSU [Central Statistical Administration] data, deliveries for 1985 were fulfilled 100 percent by the Belorussian SSR Minlegprom [Ministry of Light Industry], the Latvian SSR Minlegprom, and the Lithuanian SSR Minlegprom; 99.9 percent by the Moldavian SSR Minlegprom; 100 percent by food-industry enterprises entering into the Gosagroproms [State Agro-Industrial Associations] of the Ukrainian, Belorussian, Latvian, and Estonian SSR's; 99.7 percent by such enterprises of the Azerbaijan SSR; 99.6 percent by the Minselkhoz mash [Ministry of Tractor and Agricultural Machine Building]; 99 percent by the Mintyazhmash [Ministry of Heavy and Transport Machine Building] and the Minpribor [Ministry of Instrument Making, Automation Equipment, and Control Systems]; 98.9 percent by the Minelektrotekhprom [Ministry of the Electrical Equipment Industry]; 98.7 percent by the Minenergomash [Ministry of Power Machine Building]; 98.6 percent by the Minstankoprom [Ministry of the Machine Tool and Tool Building Industry]; and 98.4 percent by the Minkhimmash [Ministry of Chemical and Petroleum Machine Building].

However, not everything that was planned for experimental testing with the aim of improving planning was carried out. Thus, the upper-level organizations, as before, conveyed to the production associations and enterprises numerous firmly established and estimated indices not foreseen by the experiment's conditions. In this connection, to ensure realization of the rights granted to the production associations and enterprises in planning and economic activity, the USSR ministries and departments and the Union Republic Councils of Ministers were forbidden, beginning with the plan for 1986, to establish indices not intended by the new management conditions for their subordinate production associations and enterprises by the CPSU Central Committee and USSR Council of Ministers decree (July 1985) "On Extensive Dissemination of the New Management Methods and Strengthening Their Effect On the Acceleration of Scientific and Technical Progress." In the nature of planning figures, the upper-level organizations may advise their enterprises, when developing a draft plan, only of the indices essential for balancing and coordinating the plan's various sections.

The economic experiment has confirmed the promise of applying economic standards as an instrument of planned management.

The use of economic standards has permitted discovering reserves and putting them into practical use, and ensuring rapid production growth rates and a significant increase in efficiency. At the same time, analysis has shown that much remains to be done in this direction.

In our opinion, it is advisable, during the 12th 5-Year Plan, to begin the transition to standards for summarizing indices of the economic results which provide for shifting the enterprises into full cost accounting. It is advisable

to set the standard for wages with respect to actual net-production volume (realization after deducting physical inputs), and the standards for creating economic incentive funds and the common fund for developing science and technology--with respect to the enterprises' estimated profit volume.

The standard for deductions [withholdings] from profit must be conveyed in making up the control figures, and not the annual plan as at present, inasmuch as such a method does not motivate the enterprises to discover reserves in the process of working on the annual plan.

The problem of developing standards for withholdings from profit for a 5-year period has not been solved. For their formulation, 5-year financial plans are required. Such experience already is available in the Sumy Machine Building Scientific Production Association imeni M.V. Frunze and the autoVAZ [Volga Motor Vehicle Plant imeni 50th Anniversary of the USSR in the city of Tolyatti]. Beginning in 1986, withholdings from profit into the budget on the basis of 5-year standards are expected at Belorussian SSR Ministry of Light Industry enterprises.

ACCELERATING SCIENTIFIC AND TECHNICAL PROGRESS. Measures were called for by the economic experiment, aimed at broadening the rights, opportunities, and responsibility of production associations and enterprises in increasing the technical level of production using their own resources; and at strengthening their interest in reducing the time periods and increasing the scales of introducing scientific and technical achievements. Analysis has shown poor realization of these measures in 1985. A positive change for the better was noted only in the use of production development fund money--the quota for decentralized capital investments was handled well. Thus, in the Ministry of Instrument Making, Automation Equipment, and Control Systems it was utilized by 101 percent, and in the Ministries of Heavy and Transport Machine Building, Chemical and Petroleum Machine Building, and the Machine Tool and Tool Building Industry--by 97 percent. Production development fund money is being used most effectively at the enterprises producing consumer goods. The quota set for technical re-equipment using this fund's money was exceeded by the Belorussian and Moldavian SSR Ministries of Light Industry.

It must be noted that the use of production development fund money for technical re-equipment and reconstruction is being hindered by shortages of material and technical resources, as well as by the limited solvency of construction organizations and enterprises, which perform this work in a penny-pinching way. Measures aimed at eliminating these deficiencies are called for.

To evaluate the quality of the products being put out under the economic experiment's conditions, the indices used were percentage of highest quality-category articles in the overall volume of marketable products, and percentage of improved-quality products with indicator "N" and especially stylish articles in the overall production of consumer goods at retail prices (for light industry). The indices have justified themselves. The majority of machine-building enterprises has increased the proportion of articles being put out with the Mark of Quality, and, in the food industry, the proportion of high-quality products has been increased.

But, on the whole, the economic experiment has not solved the problem of accelerating scientific and technical progress. In this connection, as was noted in the 27th CPSU Congress, further adjustment has to be made in the economic mechanism. In particular, it is essential to shift more boldly into start-to-finish planning of scientific and technical progress.

INCREASING THE INTEREST OF LABOR COLLECTIVES IN THE GROWTH OF PRODUCTION EFFICIENCY AND STRENGTHENING COST ACCOUNTING. Increasing the on-the-spot economic independence of enterprises according to the experiment's conditions was achieved through reducing the directive-established indices, increasing opportunities to revise the production plan independently, strengthening the role of economic contracts in formulating the production program, and more extensive use, for this purpose, of direct, prolonged economic relations. The new management conditions, under which substantial material incentives are provided for improving production's end results, have permitted ensuring more complete melding of the interests of enterprise collectives with the interests of society at large. The interest of the former in reduction of production costs and growth of profit has been increased, and, on this basis, their opportunities to effect enhanced renovation [rasshirennoye vosproizvodstvo], and to introduce the achievements of scientific and technical progress and social development of labor collectives have been increased.

As analysis shows, product production costs are being reduced. Thus, in 1985, the machine-building ministries' enterprises working under the experiment's conditions lowered the costs per ruble of marketable products in comparison with 1984 as follows: the Ministry of Instrument Making, Automation Equipment, and Control Systems by 2.5 percent; the Ministry of the Machine Tool and Tool Building Industry by 2.4 percent; the Ministry of the Electrical Equipment Industry by 2.2 percent; the Ministry of Heavy and Transport Machine Building by 1.9 percent; the Ministry of Chemical and Petroleum Machine Building by 1.6 percent; the Ministry of Tractor and Agricultural Machine Building by 1.2 percent; and the Ministry of Power Machine Building by 1.1 percent. Matters are about the same at the light industry enterprises as well.

Profit plans were fulfilled more successfully under the experiment's conditions; the number of enterprises not fulfilling the planned quota for this index was reduced. In comparison with 1984, profit increased at Ministry of the Electrical Equipment Industry enterprises by 20 percent; at Ministry of Power Machine Building enterprises by 21.3 percent; at Ministry of Heavy and Transport Machine Building enterprises by 17 percent; at Ministry of the Machine Tool and Tool Building Industry enterprises by 17 percent; at Ministry of Instrument Making, Automation Equipment, and Control Systems enterprises by 16.5 percent; at Ministry of Chemical and Petroleum Machine Building enterprises by 15 percent; and at Ministry of Tractor and Agricultural Machine Building enterprises by 13.2 percent. It should be noted that profit's so significant increase was ensured through increases in the wholesale prices for highly improved products.

At enterprises of the ministries working under the new management conditions, increase in product production was achieved mainly because of an increase in labor productivity, without increase in the number of workers. For example, in the seven machine-building ministries, 96 percent of the growth in production was obtained in 1985 through an increase in labor productivity (which amounted to 6.7 percent under a plan for 5.7), although in the Ministry of Chemical and Petroleum Machine Building and the Ministry of Instrument Making, Automation Equipment, and Control Systems 100 percent was so obtained.

In conducting the economic experiment, experience was acquired in improving cost-accounting attitudes at all management levels. Thus, the role of economic contracts was increased in the activity evaluation of associations and enterprises when figuring the scores for socialist competition and awarding prizes to workers. Intraproduction cost-accounting matters began to be studied more profoundly and thoroughly by using moment-to-moment calendar planning for the work of organizational elements and automated production control systems, and by improving wage incentive systems.

Particular attention was devoted, during the experiment, to improving the system of wage fund formation and utilization. A course was set toward strengthening this fund's relation to the work results of production association and enterprise collectives--a change-over to its standardized formation. Practice has confirmed the correctness of the measures taken. The main advantage of regulating the wage fund by means of standards lies in the fact that the enterprises know in advance to what extent the fund will be changed in correspondence to the volumes of products being put out, and they discover and use labor-productivity reserves.

Under the new conditions, thanks to the substantial broadening of enterprises' rights in the use of wage-fund savings, the collective interest in constant improvement of management results is reinforced by the workers' personal economic interest. For purposes of limiting unjustified wage growth in comparison with labor-productivity growth, an index of their standardized ratio is envisaged for enterprises in the plan.

Certain financial and credit incentives were tested under the new management conditions for purposes of strengthening and developing cost accounting. Among these were: a decentralized procedure for enterprises' settlements with the budget, which permitted broader use of economic standards; stimulating better utilization of basic production funds and working capital; creating financial reserves; and increasing credit's role as a cost-accounting incentive for influencing production.

At the same time, DEFECTS, violating cost-accounting principles, also were discovered during the economic experiment. Thus, WITHHOLDINGS FOR THE INCENTIVE FUNDS GROW FASTER THAN PROFIT, STABILITY OF THE STANDARDS FOR WITHHOLDINGS FROM PROFIT IS NOT ALWAYS ENSURED, PAYMENTS FOR PRODUCTION HARDLY IMPROVED, etc.

Such are the economic experiment's preliminary ABBREVIATED RESULTS in industry.

In the CPSU Central Committee's Political Report to the 27th Party Congress, it was observed that "the results of the experiments being conducted might be significantly better if, on the one hand, the work reorganization of the industrial ministries and central economic departments, which, as before, are not abandoning their attempts to limit the enterprises' rights, had been in accordance with them, and, on the other, the stimuli for growth in efficiency had been conveyed to every section and brigade of the work place. Particular attention must be paid to this." (Footnote 1) (M.S. Gorbachev, "CPSU Central Committee Political Report to the 27th Congress of the Communist Party of the Soviet Union," 25 Feb 1986, Moscow, Politizdat, 1986, Series 45)

The most important thing right now--to move purposefully, step after step, in the chosen direction, clarifying and improving the economic mechanism on the basis of acquired experience, and eliminating all that is obsolete or has not proved its worth.

COPYRIGHT: Izdatelstvo "Ekonomika", "Planovoye khozyaystvo", 1986.

12319

CSO: 1820/158

RESOURCE UTILIZATION AND SUPPLY

LAX SHIPPING PRACTICES CREATE MATERIALS SUPPLY IMBALANCES

Moscow MATERIALNO-TEKHNICHESKOYE SNABZHENIYE in Russian No 3, Mar 86 pp 40-43

[Article by S. Avdeyev, candidate of economic sciences, Kolomna: "Unjustified Hoarding and the Structure of Material Supplies"]

[Text] At the present time when the 27th CPSU Congress has defined the basic principles of the country's economic-development strategy for the forthcoming period, the importance of the laboring masses' initiative in mobilizing all energies and resources for the solution of large-scale economic and political problems is significantly increasing.

A critical reevaluation not only of what has been achieved but also of what was overlooked serves as a keynote in the work of each labor collective. It is becoming increasingly clear that the road to success lies in carrying out the psychological reorientation of labor collectives for working in a new way and activating the human factor and all forms of socialist competition.

Cases of formalism in organization of socialist competition have been repeatedly pointed out on the pages of the press. In this regard, sometimes more attention is paid to its ostentatious, outer side than to its actual substance. Frequently in socialist commitments, especially where engineering and technical personnel and employees are concerned, note is made of what should stem from the qualitative performance of their work functions and duties. Let us say that the duty of the supply worker (and such examples are by no means rare in real life) to provide production with material resources within the deadline is no less than his primary service obligation for which he is paid.

It is even worse where such a commitment is assumed by a supply administration, an enterprise for deliveries of products or a warehouse and their specific executants. Without delving into the actual situation at the consumer enterprises they serve, without even looking at the data they get from them on surpluses and material resources, the material and technical supply agencies sometimes send materials to consumers early--before delivery time has even arrived--just in order to fulfill their own plans and indicators for commodity turnover and assumed commitments. The only thing this results in is formation and growth of above-norm stocks at enterprises and associations of different sectors of the national economy.

Another situation exists there where the adoption of socialist commitments is approached from positions of state interests. Thus, at Mosgormetallosnabsyt Association supplying customers on the basis of developing needs has been practiced for a number of years. Here there is no "pushing" products from their warehouses to where they are not needed at the given moment by stockholders. Such utilization of resources makes it possible to prevent the formation of above-norm stocks of users and at the same time provides an additional reserve for using to advantage material and technical resources at the level of regional supply organs.

At many enterprises, warehousing operations and questions of safety of socialist property are excluded from the sphere of socialist competition. At the same time, competition for exemplary storage of commodity stocks, not allowing their spoilage or loss, and prevention of cases of theft constitute one of the current directions of struggle for raising efficiency of public production. Competition for a storehouse with model storage of materials and for model setting up of materials accounting is dictated by the new criteria of management.

Unsatisfactory storage of materials at industrial enterprises is most frequently due to their exceeding established norms. This provides grounds for personnel of supply services and warehousing operations to include in their socialist commitments as a specific goal such considerations as establishment of strict order in rational use of material resources.

Supply personnel are frequently inattentive to the timely receipt and warehouse accounting of paid goods designated for industrial production. Despite the fact that the time period for crediting paid materials that are still enroute is more than adequate, absence of control and sometimes even outright irresponsibility by specific executants results in the appearance of commodities on the balance accounts of "Materials Enroute" a great deal longer than the maximal permitted time. A reasonable question arises--should the potential capabilities of socialist competition be disregarded in order to overcome such lapses in economic work?

In this connection, the work of pertinent administrations of regional supply agencies deserves critical comment. While engaging in their interrelations with suppliers of transit products in their shipment to their bases, especially small final shipments for which they receive without any delays appropriate payment from final consumers, supply organs at the same time sometimes hold back for months these special-purpose resources. As a result, the already inflated sums of balance accounts for the line "Materials Enroute" of consumers are further increased. Since the actual obligations of timely delivery of specific freight are carried out with inadequate care and timeliness, Gossnab USSR should use both the means of material pressure as well as moral factors on the pertinent executants. Delivery enterprises, warehouses, and small wholesale stores must include in their socialist obligations the demands for centralized delivery of specific cargoes to final consumers in the shortest possible time.

At the present time, reorientation of economic thinking is required of economic personnel primarily in the direction of quality performance of their work--for economy of material resources, full guarantee of concluded contracts, higher efficiency of production and reduction of expenditures. This means that the aim of socialist commitments must correspond to these aspects of practical work. Take, for example, fulfillment of economic contracts. Their role, as we know, has sharply grown under the conditions of the economic experiment, which places the material interests of labor collectives in direct dependence on how successfully delivery discipline is observed. Economic practice shows that timely and complete fulfillment of contracts has not become an inviolable rule everywhere. Up to the present time, almost one-third of the industrial enterprises do not completely fulfill consumers' orders. At the same time, sales-volume plans as a rule are being overfulfilled. In the first half of 1985 alone, unordered products were produced in the country in the amount of 9 billion rubles with quite a solid underdelivery of items actually needed by the national economy. Is it not practicable under these conditions for undisciplined executives of economic contracts to relate their socialist commitments to improvement in the practice of fulfillment of commitments pertaining to sectoral and intersectoral cooperation?

At industrial associations and enterprises, specialists of supply services are essentially "bound" by material-incentive conditions to the final results of the enterprise's operation. The main condition for receiving it is fulfillment of the state plan by the entire enterprise or at the very least timely provision of production shops with resources required for the production program.

As for qualitative indicators such as prevention of overexpenditure of resources, their above-norm accumulation, reduction of empty runs of transport equipment and so on, these conditions are stipulated at best so timidly that they exert no significant influence on the size of material awards for personnel of this category. Such a situation results in the fact that tendencies of unjustifiable accumulation or overexpenditure of materials are not opposed either by material and moral stimuli or by the socialist commitments. Under these conditions, the upper hand is assumed by "expending" practice. Technologists, for example, to satisfy supply personnel and production people accustomed to various kinds of losses of material resources in production "place" corresponding reserves in the norms of their expenditure. In their turn, support services deliberately create surpluses on a scale of reserves and "external" losses, finance workers--in quotas of working capital, production people--on a scale of advances in the issue of material resources according to proportionality scales and so on. This valuable "reservation" eases one's own concerns, but production efficiency suffers in the end.

The direction of socialist competition in such a situation does not direct the attention of workers of enterprises and organizations to reduction of expenditures, norms and sizes of stocks. Cases are frequent where under coverage of norms scandalous mismanagement and squandering of resources are tolerated, for example, in the leather industry as disclosed recently in a check by the USSR People's Control Committee.

Socialist competition elevates the Soviet man first and foremost through public recognition of his civic qualities among which a thrifty attitude toward the people's property and the ability to use public wealth in a thrifty manner are among the first. For personnel in the sphere of supply, these qualities at the same time reflect the level of their occupational skill. One cannot consider as a qualified specialist that person who is not thrifty with materials and does not count money. A supplier must be rated under present conditions not on the basis of his ability to "get" but primarily on his ability to economize.

In our view, it would be advisable for Gossnab USSR jointly with the AUCCTU to work out methodological recommendations for organizing socialist competition for personnel of the sphere of material and technical supply as well as for stimulating "antiexpenditure" supply activity of every organ of material supply without exception--from enterprises and associations and directly up to Gossnab USSR. The chief purpose of this measure is securing a state direction of general practical actions on economy of material and monetary expenditures and suppression on an all-union scale of any manifestations of mismanagement.

Lapses in organization of storage and use of material resources disclosed in the course of conducted checks must inevitably and appreciably have an effect on the sizes of material incentives for pertinent personnel and labor collectives.

General Secretary of the CPSU Central Committee M.S. Gorbachev at a meeting with veterans of the Stakhanovite movement, outstanding workers and innovators of production pointed out: "Today practically all working people are taking part in socialist competition. But I think that the payoff of a labor competition is not always what it should be. The reasons for this are various. One of the chief ones is that the forms and methods of competition far from fully correspond to the character of the present stage of economic development. At many collectives, socialist competition proceeds, as it were, on its own, without a solid and deep connection to the work on shifting of the economy to the intensive path, acceleration of scientific and technical progress, reorganization of the economic mechanism and wide-scale introduction of collective forms of labor organization.

"Such a situation needs to be radically changed. Since we have undertaken determination of reserves and maximal use of everything that we have at our disposal, let us take a fresh look from these positions at competition itself. On the whole, it so far has not had a more clear-cut orientation on priority goals: raising labor productivity, improving product quality and economy of resources."

The practice that has developed over the course of many years in the work of labor collectives aiming primarily at volume indicators--volume of commodity production, sales and so on entails not only an increase of not always justifiable outlays of raw materials, equipment and components but also their accumulation among consumers. The resources of socialist competition have insufficiently counteracted this. A "permanent" shortage at almost every enterprise first of some and then of other material resources in the presence

of significant above-norm stocks has hindered needed improvement of material and technical supply at the state level. This has contributed to the fact that in the past 10 years stocks of the means of production have doubled while the output volume of finished products has increased only 1.5-fold.

The relation of socialist competition in the sphere of supply to priority tasks at the present stage of economic development--to the struggle for economy and thrift, rational use of material, labor and financial resources and acceleration of the turnover rate of working capital--is an important condition in fulfillment of plans and targets for the 12th Five-Year Plan.

Such a formulation of the question is all the more pertinent/urgent when the attention of manufacturers of products is directed at the creation of models of new equipment, modernization of existing enterprises and the transition to modern progressive technological processes. The output of new kinds of products, rapid renewal of their modifications, more frequent replacement of structural elements of products and their more perfect assembly make particularly dangerous uneconomical thriftiness in regard to materials and change in requirements which will be all the time accelerating. And beginning in 1986, the operation of a number of sectors under the new conditions of management will hardly allow supply organs to create for all participants priority conditions in deliveries of products of the production and technical type which to one degree or another associations and enterprises had in the initial stage of the economic experiment.

Curtailement of expenditure, control over a rational structure of material stocks and socialist competition for economy and thrift will make it possible to provide a significant improvement in material and technical supply under present conditions. Such an approach to the matter is confirmed by the work experience of several regional administrations. Thus at Odessa Main Regional Administration in addition to fulfillment of the usual intermediary functions, there was organized a centralized cutting of paper and cable products, wire, bars, steel cable for consumer forms and sizes, vacuum coating of the work surface of a worn tool and lending of instruments.

At production associations and enterprises, single-minded and responsible work relative to concluding economic contracts for delivery of products of the production and technical type for the 12th Five-Year Plan is being conducted at the present time. This is not a formal repetition of earlier conducted work but a critical review of local normative acts regulating the organization and operation of their contract work. In necessary cases, legal expert examination of these acts and determination of the responsibility of the pertinent services and specific persons in the conduct of this work are required. Its qualitative fulfillment in prescribed time periods is an important objective of socialist commitments.

Increased attention on qualitative indicators of production active requires a careful examination of the state of affairs concerning nonproductive expenditures. The struggle for their all-out reduction must be reflected in adopted socialist commitments.

Competition at the level of central and regional supply and selling organizations needs to be aimed at expansion of progressive forms of handling of the means of production--direct long-term economic ties, guaranteed comprehensive supply, wholesale trade and acceleration of delivery of goods to consumers.

It is no secret that in economic practice one frequently runs into cases of violation by ministries, departments, main administrations of material and technical supply and selling and regional organs of Gosplan USSR established by existing legislation of time periods of transmission of plan targets to executants, of securing consumers to suppliers and issuing them plan documents for delivery of products. Socialist competition in this case can serve as a highly effective means of overcoming these defects. The realization of its potentialities is a pressing and important national-economic task.

In the new 5-year plan, serious work lies ahead in improving the use of secondary resources. We know what to deal with and where to direct efforts. For 4 years of the 11th Five-Year Plan, targets were not fulfilled for bringing into economic turnover more than 40 million tons of secondary resources which could have released quality materials amounting to more than a billion rubles. Is not this an object of attention in the selection of directions of socialist competition in the sphere of material and technical supply?

A great deal of attention is devoted to problems of socialist competition in the new edition of the CPSU Program. It states in this political document of the party that it is a most important sphere of expansion of the creativity of working people and one of the chief means of self-affirmation and public recognition of the individual. Pointed out in it is the need to improve organization and to boost the effectiveness of formalism and banality, to disseminate advanced experience, to bring up laggards to the level of leaders and to develop the spirit of initiative, comradely cooperation and mutual help. In this, all-out support of the initiative and creativity of the masses, growth of labor productivity, thrifty utilization of resources, higher production efficiency and product quality, lowering of its production cost and attainment of the best end national-economic results are of most important value.

Reorganization of the structure of production, the planning system, incentive methods accompanied by psychological reorientation should be reflected in the forms and methods of organization of socialist competition in the sphere of supply corresponding to the new conditions of management.

COPYRIGHT: Izdatelstvo "Ekonomika", "Materialno-tekhnicheskoye snabzheniye", 1986

7697
CSO: 1820/134

RESOURCE UTILIZATION AND SUPPLY

OFFICIALS RESPOND TO ARTICLE ON MATERIALS RECYCLING

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 86 pp 122-125

[Article: "On the Utilization of Secondary Resources"]

[Text] The article of N. Pirogov, deputy division chief of the USSR Gosplan, "Planning the Utilization of Secondary Resources," published in issue No 10 for 1985 of the journal PLANOVOYE KHOZYAYSTVO has evoked many comments.

M.P. Kuznetsov, deputy chairman of the RSFSR Gosplan, reported to the editor's office on the work being performed in the Russian Federation to improve the utilization of secondary resources and presented data characterizing the scale of this work in past years. Thus, in the territory of the RSFSR during the years 1981 through 1985, they stockpiled 7.83 million tons of waste paper, 1.57 million tons of broken glass, 1.5 million tons of secondary textile materials, 1.35 million tons of waste oil products, 690,000 tons of worn-out tires and 190,000 tons of secondary polymeric raw materials. During this same period, they reprocessed 15.28 million solid cubic meters of wood wastes, 10.8 million tons of ash and ash and slag wastes of the thermal electric power stations of the USSR Ministry of Power and Electrification, 1.55 million tons of phosphogypsum, 94,000 tons of apple residues, 80,000 tons of secondary polymeric raw materials, 64,400 tons of secondary textile materials, and 16,100 tons of pyrite cinders. All of this produced a saving of primary raw materials of 285.9 million rubles at the enterprises subordinate to the republic. At the same time, there were proposals directed toward the more efficient utilization of additional sources of raw materials. It is expedient to separate the provision of secondary raw materials into an independent subsector carrying out the initial processing, including sorting, cleaning, washing, crushing, splitting of fiber, etc., so that in the final stage the procurement officers can provide raw material suitable for further processing. For these purposes, provision should be made for capital investments to establish and develop warehousing and production capacities providing for the initial reprocessing of the procured raw materials.

For the successful fulfillment of the decisions of the guiding agencies for the improvement of the utilization of secondary physical resources and the more active participation of the councils of people's deputies in this work, it is essential to develop a single organizational structure for the management of this process in the country as a whole and in the union

republics. It is expedient to examine this question in the USSR Gosplan and the USSR Gosstat, the State Committee for Science and Technology, and the USSR Academy of Sciences while including the corresponding ministries, departments and republic agencies.

The USSR Gosplan should head and organize the development of specific complex programs for the utilization of secondary physical resources.

It is essential to improve the accounting for secondary resources, as the existing reporting does not ensure sufficiently complete and reliable information on the formation of wastes and the direction of their utilization at all enterprises.

In the state plans for economic and social development, provision must be made for capital investments by the ministries and departments to establish and expand existing capacities for the utilization of secondary raw materials and also to set targets for the issuance of special equipment, industrial lines, and means of mechanization for their collection and reprocessing.

Coefficients should be developed and approved for the interchangeability of primary and secondary raw materials and, in determining the annual funds to the ministries and departments, one should systematically take into account the saving of primary raw materials through the use of secondary raw materials. It would be useful to introduce into the annual and long-term plans an indicator of the relative share of the utilization of secondary resources in the overall volume of material consumption.

For the purpose of improving environmental protection, one must review in the plan for the ministries and departments the complex reprocessing of all types of wastes arising in the extractive sectors.

Proposals on the improvement of the information service are worthy of attention, keeping in mind the broader and expeditious spread of domestic and foreign advanced experience in the reprocessing of secondary resources.

L.Ya. Korniyenko, deputy chairman of the Ukrainian SSR Gosplan, and V.M. Selivanovskiy, chief of the division of the Ukrainian SSR Gosplan for the utilization of secondary resources, report that the article raises a number of current questions concerning the utilization of secondary resources. It is justifiably noted that one of the most serious shortcomings is the underfulfillment of the planned targets set for the enterprises of many ministries and departments. Most of the sectorial management bodies, especially in the USSR Ministry of Ferrous Metallurgy, the USSR Ministry of the USSR Ministry of the Coal Industry, and the Ministry of Mineral Fertilizer Production, are not taking adequate measures directed toward the complete involvement of wastes in production as one of the integral functions of production activity.

L.Ya. Korniyenko and V.M. Selivanovskiy note that the article does not indicate reasons of a technical and organizational nature prohibiting a sharp increase in the level of the utilization of several important types of secondary raw materials (waste paper, secondary polymers and textiles,

phosphogypsum, worn-out tires, and ash slag). Along them are the lack of tested technologies, equipment, collection systems, etc.

These tasks must be resolved by the subdivisions of the USSR Gosplan in close cooperation with the planning agencies and subdivisions of the union republics and ministries as well as with scientific institutions. For the purpose of increasing the incentive to utilize secondary resources, saved primary raw materials and other materials (beyond the set targets) should be left at the disposal of the enterprises to utilize them for production and other needs.

In his letter to the editor's office, A.Sh. Shamelkhanov, deputy chairman of the Kazakh SSR Gosplan, emphasized the complexity and many-sidedness of the problem of the inclusion of secondary resources in operations, a problem requiring the improvement of planning and stimulation as well as organizational-technical, technological, scientific and other measures. He believes that the plan section for the utilization of secondary resources still does not meet the demands being put on it. The ministries and departments are obligated to provide for the maximum utilization of their wastes and to deliver that portion that is not reprocessed in their industrial system to other departments in the form of secondary raw materials. The indicators of the plan under development must be directed more systematically toward the resolution of precisely this task. It is lamentable that the Scientific Research Institute for Planning and Standards under the USSR Gosplan was practically not involved in this important matter and that its Ukrainian branch does not plan to intensify the development of methodical positions until the years 1986-1990. It is time to activate the scientific potential of the organizations of the system of the USSR Gosplan in the indicated area. A practical solution to these questions is urgently needed.

A.A. Borshch, deputy chairman of the Belorussian SSR Gosplan, reported on the work being done in the republic to improve the planning of the utilization of secondary resources. In recent years, there has been a notable expansion of the list of secondary raw materials foreseen in the annual plans for inclusion in economic operations. Thus, in the plan for 1986, the republic's ministries and departments have been given targets for the utilization of 42 types of secondary raw materials (compared with 19 in 1985).

The ministries and departments of the republic and the associations and enterprises subordinate to the union are working out annual balances for the formation and distribution of industrial wastes. On the basis of these balances, lists of unused wastes are issued and sent to the republic's economic organizations for the purpose of identifying consumers that can reprocess them.

Sectorial standards and diagrams for the collection, sale and utilization of secondary raw materials have been developed and approved. The documentation of wastes has been carried out at the enterprises of the republic.

To propagandize the advanced experience in the utilization of secondary raw materials, a permanent exhibition, "Utilization of Secondary Physical Resources," has been organized in Minsk. It presents more than 1,000 samples of industrial wastes and products made from them.

Republic and oblast intersectorial fairs are being held for the purpose of increasing the volume of sales to the public of unused wastes and substandard products through the system of trade. Thus, in 1985, the republic's trade organizations bought a total of 2.5 million rubles worth of these wastes and products and in 1986 the volume of purchases will amount to 5.4 million rubles.

At a number of enterprises, capacities have been created for the reprocessing of secondary raw materials as well as production and household wastes. Among them are the Gomel and Bobruysk combines for nonwoven materials, the Borisov combine for the reprocessing of secondary raw materials, the Mogilev Regenerating Plant, the Bobruysk production association Belorusrezinotekhnika, the Mogilev Gelatin Plant, the Svetlogorsk Cellulose and Paper Combine, the Osipovich Cardboard and Roofing Material Plant, the Minsk and Mogilev garbage processing plants, and others. Most of the enterprises have organized shops (sections) for the release of products from the wastes.

In the 12th Five-Year Plan, there are plans to put into operation shops for the issuance of nonwoven materials at the Mogilev Production Association for Silk Fabrics, a shop for the production of 10 million rubles in consumer goods annually at the Polimir Association, a section at the Steklovolokno Association for the production of 1.7 million rubles annually in sewn-linen and needle-pierced fiberglass fabric, and at Grodno it is planned to build a plant for the reprocessing of secondary polymer raw materials with a capacity of 4,000 tons annually. The question of the reconstruction of the Mogilev Regenerating Plant is being resolved taking into account the reprocessing of worn-out tires with a metal cord.

For a more complete involvement of production wastes in economic operations, a program has been developed in the republic for the utilization of secondary physical resources in the years 1986 through 1990. For its realization, specific measures have been determined based upon the study of the experience of the Ukrainian SSR, Leningrad and socialist countries.

As a result of the work being carried out, the volume of output produced in 1985 through the utilization of wastes and secondary raw materials increased by a factor of 1.4 over the 1980 level and reached 819.9 million rubles. During the years of the 11th Five-Year Plan, the amount of primary raw materials saved was about 1.2 billion rubles and it is planned to save about 2 billion rubles during the 12th Five-Year Plan.

The questions on the setting of economically justifiable prices for secondary raw materials, the development of methods for determining the share of secondary raw materials in the raw materials balances, and the more precise demarcation of the functions between the USSR Gosplan and the USSR Gosstab raised in the article of N. Pirogov are urgently in need of solutions.

I.G. Dobynde, deputy chairman of the Moldavian SSR Gosplan, stated a number of considerations on problems touched on in the article of N. Pirogov. In particular, on which indicator should be given priority--the production of output utilizing secondary raw materials or the volume of secondary raw

materials utilized. He considers that both indicators are important. In the section of the national economic plan, as a confirmed indicator, there should be a reflection of the volumes of the production of the most important types of output in physical terms, produced not only completely from secondary raw materials but also partially, as is provided for in the directives of the USSR Gosplan, the USSR Gossnab and the USSR Central Statistical Administration. The volumes of the utilization of the most important types of secondary raw materials must also be planning indicators. At the same time, it is expedient to introduce as an accounting indicator the volume of all output produced with the use of secondary raw materials regardless of its relative weight in the value of all raw materials and other materials.

In regard to the demarcation of the functions of the USSR Gosplan and the USSR Gossnab in the organization of the work in the utilization of secondary resources, it is essential to leave to the USSR Gosplan and the Gosplans of the union republics the questions of planning and the control of the fulfillment of the plans for the formation and utilization of secondary raw materials, the production of output with the application of these materials, the creation of production capacities for the reprocessing of production and consumption wastes, the determination of the size of capital investments for these purposes, and the planning of the carrying out of research work on the creation of new types of equipment and industrial lines and on the improvement of operating technological processes for the more efficient utilization of secondary raw materials.

At the same time, the offices of the USSR Gossnab should be given the functions of procuring secondary raw materials, the organization of the utilization of production and consumption wastes that do not find applications in the enterprises, the drawing up of consolidated requests for all types of secondary raw materials needed by the ministries and departments as well as union enterprises located in the territory of the republics, and their presentation to Soyuzvtorresury or other authorities (Soyuzglavlegpromsyrye, for example). The offices of the USSR Gossnab must strengthen the control over the carrying out of the documentation of production and consumption wastes at enterprises; provide for the regular elaboration and distribution of catalogs of production and consumption wastes based upon the data of the documentation, current reporting and other information; and present to the USSR Gosplan and the Gosplans of the union republics properly confirmed estimates of the resources of production and consumption wastes by type in a timely manner--by the beginning of the development of the drafts of the annual and five-year plans.

In the Moldavian SSR, about 10 million tons of production and consumption wastes arise annually. Among them are 1 million tons of ash and slag from the Moldavian State Regional Electric Power Station, more than 3 million tons of cut and crushed rock, about 20,000 tons of worn-out tires, secondary polymer raw materials and scrap rubber, about 100,000 tons of lignin, 17,000 tons of of secondary textile materials, more than 4 million tons of wastes from food enterprises reprocessing agricultural raw materials, and others.

A certain amount of experience has been accumulated in recent years in utilizing production and consumption wastes. A specific complex program was

developed and approved in 1983 for the inclusion of the secondary physical resources of the Moldavian SSR in economic operations during the period through 1990.

V.I. Odess, deputy chief for the Administration of Secondary Resources of the USSR Gosstab, recognizing the urgency and timeliness of the publication of the article by N. Pirogov, notes that many questions in the planning of secondary resources have still not been resolved definitively and that for some of them there is not yet any unanimous opinion by interested organizations. The article correctly stresses the necessity of the broad application of complex physical balances for interchangeable types of secondary and primary raw materials and other materials, of the improvement of the standard base in determining the amounts of various types of secondary raw materials collected and utilized, and of the substantial involvement of scientific institutions in the resolution of urgent tasks. The importance of the introduction of more valid prices for secondary raw materials and output produced utilizing them is justifiably pointed out.

At the same time, V.I. Odess considers a number of the author's proposals to be disputable. For example, the establishment of the quantity of secondary raw materials by types used in the manufacture of the corresponding output in the form of an indicator reflecting the final effect of the utilization of secondary raw materials. It is known from many years of practice in material-technical supply that the allocation and even the delivery of raw and other materials to consumers still does not mean their complete conversion into the necessary output. This is confirmed by the continuous increase in production stocks in the country in recent years, even for the scarcest types of raw and other materials.

In the opinion of V.I. Odess, one should put into planning practice indicators for the production and sale of output utilizing secondary raw materials. This is all the more correct in that such planning can be carried out within the scope of indicators (among others) established for associations and enterprises that have been transferred to work under the new conditions of management, for which the operational indicators of the plan section "Utilization of Secondary Raw Materials" are established as accounting and not directive indicators.

Also dubious is the proposal of N. Pirogov on the inclusion in the plan as a basic valuation and stock-forming indicator the relative share of secondary raw materials in the overall volume of resources used by the ministry or enterprise. Such an indicator has the right to be applied in the practice of planning as an accounting reference point for the national economy as a whole and for individual sectors as applied to specific types of interchangeable primary and secondary raw materials. As for associations and enterprises, there the share of secondary resources in the overall volume of raw materials utilized to produce specific types of output can appear (and essentially does appear) as standards for the utilization of secondary raw materials introduced into practice in accordance with the decree No 612 of the CPSU Central Committee and USSR Council of Ministers of 30 June 1981.

In passing, the article mentions the indicator "capital investments" in the objectives of secondary raw materials as "subordinate." Meanwhile, precisely the absence or the inadequacy of capacities for the reprocessing of secondary raw materials is one of the basic reasons for the slow rates of increase in the utilization of production and consumption wastes. With the tacit approval of planning entities, the capital investments in the objectives of secondary raw materials foreseen in the five-year plan for the years 1981 through 1985 were repeatedly reduced at various levels in the annual plans. Thus, in 1984-1985, these capital investments were reduced almost by half. As a result, in the 11th Five-Year Plan, the ministries and departments sent to the objectives of secondary raw materials only from 0.02 to 1.9 percent of the total amounts of capital investments by sector and these plans were less than 80 percent fulfilled. All of this, in turn, causes consuming sectors to reject secondary raw materials and leads to additional demands for the allocation of primary resources.

A serious factor reducing the effectiveness of the impact of the plan on the application of secondary raw materials in the national economy is the lack of essential methodical documents on the formation and incorporation of the indicators of the section "Utilization of Secondary Raw Materials" in the regional and sectorial plans. The methodical directives mentioned in the article concern only the estimates and indicators of the plan drafts presented to the USSR Gosplan and the USSR Gosstnab. At the same time, the planning indicators for the utilization of secondary raw material do not all reach the enterprises and there is no reporting under them, which weakens the work precisely where wastes generally arise and are used.

A letter from the Council for the Study of Productive Forces under the USSR Gosplan (deputy chairman S.P. Tokarev; Prof Yu.A. Chernegov, doctor of technical sciences and chief of the section for regional problems of natural resources and their utilization; and V.A. Berezin, senior scientific staff member and candidate of technical sciences) notes the importance of questions raised in the article of N. Pirogov and stresses the necessity of improving the planning of the utilization of secondary resources in the republics and economic regions.

A report also came in from the Research Institute on Prices of the USSR State Committee on Prices that a number of the positions in the article of N. Pirogov will be utilized in carrying out the research work, "Substantiation of the Proposals to Perform Economic Investigations on the Questions of the National Economic Effectiveness of the Utilization of the Most Important Production and Consumption Wastes."

The editor's office thanks all sending in comments on the article of N. Pirogov and intends to publish additional material on problems relating to the improvement of the planning of the utilization of secondary resources in the national economy in accordance with the decisions of the 27th CPSU Congress.

COPYRIGHT: Izdatelstvo "Ekonomika", "Planovoye khozyaystvo", 1986.

9746

CSO: 1820/163

REGIONAL DEVELOPMENT

KAZAKH COUNCIL OF MINISTERS CHAIRMAN REVIEWS FYP

Alma-Ata NARODNOYE KHOZYAYSTVO KAZAKHSTANA in Russian No 4, Apr 86 pp 3-14

[Article by N. Nazarbayev, chairman of the Council of Ministers of the Kazakh SSR: "A Five-Year Plan of Creative Plans and Stepped-up Work"]

[Text] The 27th CPSU Congress, approval of the Party Program and Regulations of the CPSU with amendments, as well as the Basic Directions for Economic and Social Development of the USSR in 1986-1990 and for the period up to the year 2000 have posed grandiose tasks for the soviet people.

The realistic nature and deep social optimism included in them give rise to a striving to work with selflessness, initiative and great responsibility. The innovative attitudes and main directions for the work of the CPSU and for our entire society worked out in the documents of the congress have been taken up by the party and the soviet people as an urgent program of action.

The resolutions of the 27th Party Congress, April and October (1985) plenums of the CPSU Central Committee and speeches of Comrade M.S. Gorbachev on the most important problems in the development of our society contribute to the affirmation, in the work of the party committees and soviet and economic organs, of a specific, businesslike and exacting approach to the examination and realization of both current and long-range tasks.

The Leninist foreign policy course of the Communist Party and the Soviet State enjoys nationwide support. The statements of M.S. Gorbachev, general secretary of the CPSU Central Committee, on questions of disarmament express the innermost aspirations of the soviet people and of all progressive mankind, and their desire to maintain peace for the present generation and for those to come.

In the Political Report of the CPSU Central Committee to the 27th CPSU Congress, General Secretary of the CPSU Central Committee Comrade M.S. Gorbachev emphasized: "It is a question of how the Soviet Union enters the 21st century, how the aspect and position of socialism appears in the international arena and of what tomorrow will be for mankind." Today each soviet person should realize fully the grandiose nature of the present tasks and devote maximum efforts for further strengthening of our motherland.

The 27th Party Congress, on the basis of the resolutions of the April Plenum of the Central Committee, having realistically weighed and interpreted the results of the path traversed, set a task of exceptional importance—achieve a new, high-quality state of our society. This will give dynamic impetus to social progress and reinforce in the people a creative basis and striving to work with greater responsibility and initiative. The atmosphere formed today in the party and the people due to the efforts of the Central Committee and its Politburo answers to the aspirations of communists and of each soviet person. Positive changes are evident in all spheres of life, in the psychology of the directing personnel and the overall mood of the people for work.

Having unanimously approved the decisions of the 27th CPSU Congress, the communists and workers of Soviet Kazakhstan are filled with resolve to mobilize every potential and all resources and possibilities to put into life the plans of the party to reinforce the economic and defence power of our motherland and to increase national well-being.

The past five-year period was for Kazakhstan a major new stage in the development of the economic system, science and culture. Its contribution to the unified national economic complex of the country increased.

During this period the volume of industrial production rose by 5 billion rubles, or by 19.4 percent. The output of many items for production-technical purposes and of consumer goods new for the republic was mastered. Almost 800 million rubles worth of products above the total of the yearly plans were sold.

Almost 50 billion rubles, 15 percent more than in the preceding five-year plan, were invested in the development of the national economy for all financing sources, and fixed capital worth 47.2 billion rubles, or 1.2-fold more, was put into operation. About 400 industrial enterprises, major shops and production facilities joined the ranks of the existing ones.

In agriculture, an increase over the 10th Five-Year Plan was ensured in the production and purchases of rice, corn for grain, vegetables, potatoes, cattle and poultry, milk, eggs and wool.

Technical equipment of transport and communications rose. Freight turnover and the volume of passenger transport increased, as did the extent of paved highways.

Major measures were carried out in the sphere of social development. There was an appreciable increase in the average wage for workers and employees and in the wages of kolkhoz workers. Payments and benefits from the public consumption funds per capita increased by 15 percent. State aid to families with many children and needy families, to invalids and veterans of World War II increased. Housing conditions were improved for over 3 million citizens in the republic. The growth of volumes of retail trade turnover was 17.3 percent, and of everyday services for the population—38 percent.

All this is the result of the constant concern of the CPSU Central Committee and the Soviet Government for all-round development of the republic's national economy and the stepped-up labor of its working class, the kolkhoz peasantry and the intelligentsia.

While speaking of the achievements, mention must also be made of the fact that in a number of sectors of industry the assignments of the five-year plan have been upset. The growth rates of production volume and labor productivity on the whole proved to be lower by 3.6 and 4.6 points respectively. Every fourth enterprise failed to fulfill its contractual commitments for supplies of goods, and the capital-output ratio fell by 15 percent. According to data from an investigation, out of 334 objects turned over in the last nine years, almost half have not reached normative capacity. Agricultural workers also had large debts. The grain given to the state during the five-year plan was 18.5 million tons short, and assignments for basic types of livestock breeding production were not fulfilled. Capital investments in construction were 2.7 billion rubles under-utilized.

The lagging behind permitted was to a large extent caused by the fact that some ministries and committee and oblispolkom chairmen did not manage to reorganize work in accordance with the directives of the April (1985) Plenum of the CPSU Central Committee.

The republic's Council of Ministers will raise the demand, from leaders of all ranks, for their actual contribution to the overall matter, fulfillment of the plans and increasing the degree of organization and order.

The finish of the 11th Five-Year Plan showed that even a certain degree of improvement in discipline yields its results: the increase in industrial output achieved in the last year exceeded the average yearly increase in the first three years by over 1.5-fold. Experience confirms the correctness of V.I. Lenin's instruction that "the condition for an economic rise is ... increasing the discipline of the workers, the skill to work, the quickness and intensiveness of labor and its better organization."

The ministries and departments and oblispolkoms, in consideration of the tasks determined by the 27th CPSU Congress and the 16th Congress of the Communist Party of Kazakhstan are faced with carrying out measures to overcome the existing serious shortcomings and deficiencies in work and to implement the dynamic growth of the national economy in the 12th Five-Year Plan and in the future.

In determining its long-term strategy, the party, just as before, puts forth as the main task ensuring in our country a further rise in the wellbeing of all strata and social groups of the population, profound changes in the sphere of labor and living conditions for the people on the basis of accelerating scientific and technical progress and thorough intensification and heightening of production efficiency.

The party course toward intensifying the social orientation of development of the economic system was specifically expressed in the fact that in the 12th Five-Year Plan, through a rise in the national income of the country by 19-22 percent, it is planned to raise real incomes per capita by 13-15 percent, and the production of consumer goods by 22-25 percent, with the overall growth of industrial production--by 21-24 percent. As a whole for the five-year plan a broad program of measures to improve all aspects of the life of the soviet people has been outlined.

Particular attention is paid to carrying out the Food Program and to problems of increasing the production of agricultural goods and ensuring their good preservation and complete processing. Creating Gosagroprom [State Agro-Industrial Committee] will also contribute to solving these problems.

Substantial correctives are being introduced into the capital investment policy through concentrating the investments for such key directions as technical reequiptment and renovation of existing enterprises, constructing objects which determine scientific-technical progress and solving social problems.

National income in the republic is specified for an 18-20 percent increase as against the 7.2 percent achieved in the last five-year plan. On the basis of shunting onto intensive developmental rails up to the year 2000, national labor productivity is outlined for a 1.6-1.8-fold increase, including a rise by 19 percent in the 12th Five-Year Plan. Progressive structural shifts will be carried out in the economic system, as well as measures to reduce its material intensiveness and increase the yield from capital investments.

Through a further increase in the potential of the Pavlodar-Ekibastuz and other territorial production complexes, development of new deposits of petroleum, gas and complex and iron ores and construction of new and expansion of existing enterprises, the significance of the Kazakh SSR in the country's fuel-energy balance and in the production of mineral fertilizers and non-ferrous and ferrous metals will grow.

The republic, just as before, remains a major grain and livestock raising base for the country. Production of grain in 1990 is outlined to reach 30-31 million tons, as compared with 21.3 million tons on the average per year in the past five-year plan. The volumes of meat and milk output will increase by 21-29 and 17-19 percent respectively.

The nonproduction sphere will also be substantially developed.

Accelerating Scientific-Technical Progress and Developing Industry

The chief means to a rapid advance in strategic directions for the development of the economic system, high-quality conversion of productive forces and technical reequiptment for production is utmost acceleration of scientific-technical progress. Half of the entire increase in national income in the republic as planned is to be obtained due to this factor.

It is outlined that every year about 20,000 measures be carried out at enterprises and buildings to modernize equipment, improve the industrial process and mechanize and automate production. Some 10.8 billion rubles of capital investments is being directed toward renovation and technical reequipment, or 76 percent more than in the last five-year plan.

The use of a systems-programming planning method is being expanded. The basic assignments of 13 republic scientific-technical programs (out of 18) are included in drafts of the plans for the 12th Five-Year Plan and in the consolidated Intensifikatsiya-90 program, which, together with the programs for resource-, labor- and energy-saving, will make it possible to achieve a considerable savings in resources. The ministries and departments and Gosplan must keep track of this so that their content is materialized in the assignments of the yearly plans.

It must be noted, the union of the scientists in the republic and the production workers does not always yield the necessary effect. After all, this is one of the important reserves for our acceleration.

As a whole, plans are to spend 1.4 billion rubles to put into production the achievements of science and technology in the new five-year plan, with the economic effect from raising the technical level of production about 800 million rubles a year.

Problems of scientific-technical progress should constantly be the center of attention for Gosplan, the ministries and departments and the oblispolkoms. It is above all a question of accelerating introduction into practical use of completed scientific research and advanced technology and of carrying out measures to create and to produce the newest equipment and other goods meeting the requirements of world standards.

A considerable role in solving national economic problems belongs to science, for the development of which, in additional investments, it is planned to direct almost 500 million rubles.

The Kazakh SSR Academy of Sciences is assigned a leading place here. The Presidium of the academy should adopt urgent measures to augment the role and authority of science in Kazakhstan, all the more since in the 12th Five-Year Plan the trial-experimental base of a number of academic institutions and organizations will be considerably strengthened.

The responsible tasks facing the republic require from both academic and sectorial science, including its plant sector, their major focus on achieving high national economic results. We are justified in expecting, also, active work on the part of the academic VUZ's, which constitute one-fourth of the republic's scientific potential, but are not yet making the proper contribution to solving its major scientific-technical problems.

One of the most important factors in production intensification is strengthening the regimen of economy. The requirements have changed now, and the approach to

it should be different in principle. As you know, in the five-year plan which has begun, the increase in demand for fuel, raw material and materials, by 75-80 percent, is to be satisfied by saving on them. In other words, the reality of our plans depends on ensuring maximal material and energy saving at each work place. It is important to be thoroughly aware of all this and to activate work on economy and thriftiness.

The basic directions specify a 23-26 percent increase in the volume of industrial output in Kazakhstan in 1986-1990. The average yearly growth rate will increase from the 3.6 percent achieved in the 11th Five-Year Plan to 4.2-4.7 percent. About 85 percent of the product increase should be obtained at existing enterprises through better use of capacities and heightened labor productivity.

The developmental rates of sectors in the fuel-energy complex will increase. Coal extraction in 1990 will increase mainly through building it up at the Ekibastuz basin, as well as at the Shubarkolskoye deposit. Work will be started on developing the Maykubenskiy basin.

The Ekibastuzugol and Karagandaugol associations must improve the work of the existing sections and mines and ensure prompt preparation of new horizons and efficient use of the mechanized complexes and rotary excavators.

Petroleum extraction will increase on the basis of intensive development of existing deposits at Mangyshlak, Buzachi Peninsula, in the Caspian depression and of introducing a new deposit for development in Guryev Oblast. Extraction of gas and gas condensate will also increase.

The Mangyshlakneft, Embaneft, Aktyubinskneft, Tengizneftegaz and Kazakhgazprom associations should accelerate development of promising new deposits in Western Kazakhstan and should implement measures to increase efficiency in the operation of oil and gas wells, introduce advanced technological processes and reduce the loss of casing-head gas. The appropriate ministries and departments of the republic, party committees and oblispolkoms must ensure unconditional fulfillment of all the tasks determined by the decree of the CPSU Central Committee and the USSR Council of Ministers "On Measures To Form the Caspian Oil and Gas Complex."

Output of electrical energy will reach 102.7 billion kWh, twice as much as in 1975. For this, construction and introduction of capacities is outlined at the Ekibastuz GRES-2, Southern Kazakhstan GRES and Shulbinsk GES. Construction of the Ekibastuz GRES-3 will also begin.

By the end of the five-year plan, switching all the divisions and farms of the sovkhozes and kolkhozes to centralized electric supply will be completed.

Stable work of the power enterprises is of tremendous significance for the entire national economy. In the 11th Five-Year Plan, there was an almost 13 billion kWh underproduction of electric power due to emergency shutdowns of the units. These interruptions led to severe restrictions for the consumers and considerable underproduction of the output, particularly in energy-intensive sectors, which to a great extent affected the overall five-year plan indicators.

The Kazakh SSR Ministry of Power and Electrification should ensure more stable and efficient operation of power equipment, constantly monitor the course of constructing new capacities and putting them into operation and manage to have capital repairs of the equipment coincide with its renovation, and expend fuel economically.

An extremely important task for the republic is carrying out promptly, as outlined for the five-year plan by the USSR Council of Ministers, technical reequipping and renovation of 23 electric power stations, which are slated for dismantling and replacement of 61 obsolete turbines. This should be the center of attention of both the republic and oblast organs.

It is planned to increase the amount of primary processing of oil by 38 percent. At the same time, considerable increase in the depth of its processing is proposed through introducing raw material coking units at the Chimkent and Pavlodar plants and catalytic cracking at Chimkent.

About 5 billion rubles worth of capital investments are being directed toward developing sectors of the fuel-energy complex, or 1.8-fold more than in the last five-year plan.

In ferrous metallurgy, the production volumes will be increased mainly through more intensive use of the potential already created. Introduction of new capacities at the Lisakovsk, Sokolovo-Sarbay and Donskoy mining-enriching combines is outlined to reinforce the sector's raw material base. Intake of ores from the Kacharskiy Combine, which shows great promise, will increase. Extraction of manganese ore and output of ferroalloys will be increased.

At the Karaganda Metallurgical Combine, construction of a sheet metal shop is to be completed. Its launching to full capacity will put this enterprise in the lead in the country for this product. In the last five-year plan, however, Kazakhstanskaya Magnitka worked unsatisfactorily on the whole, having undersupplied for its goals over 1 million tons of steel and almost 2.5 million tons of rolled ferrous metals. Now, from the first years of the new five-year plan, it is important to maintain the planned rhythm constantly.

No complete solution was found in non-ferrous metallurgy in the last five-year plan to the problem of its raw material base. Of the resources singled out for these purposes, 250 million rubles, or 10 percent remained unutilized. Answering for this attitude toward the matter, together with the republic's Ministry of Nonferrous Metallurgy, is the Ministry of Construction of Heavy Industry Enterprises, which, instead of increasing the work volumes for the aforementioned sector, reduced them from 161 million in 1981 to 147 million rubles in 1985. This was despite the fact that the Ministry of Non-ferrous Metallurgy turned over 100 million rubles of its capital investments to reinforce the base of its construction organizations. This situation cannot be tolerated.

Also having an effect on lowering the indicators in non-ferrous metallurgy is the lagging behind permitted in the stripping and other preparatory work and the working out of the ore extracted. Considerable amounts of basic types of non-ferrous metals were undersupplied as compared with the assignments of the five-year plan.

Since the republic's non-ferrous metallurgy is a sector of union specialization, it is important to organize purposeful work to put into effect everything outlined and to increase Kazakhstan's contribution to the country's balance of non-ferrous metals.

The production volume of the chemical and petrochemical industry in the five-year period will increase 1.5-fold, including, for mineral fertilizers, 2.3-fold. By 1990 the output of casings for motor vehicles and agricultural machines will increase considerably. The leaders of Chimkent Oblast and the Chimkentshina Association, along with the union ministries, should find an urgent solution to the entire set of problems causing the capacities of the association to be only half-loaded in the past.

The raw material base of phosphorus production is being expanded by augmenting the capacities of the Karatau Association and by putting the Chilisayskiy Phosphorus Mine into operation.

To strengthen the mineral-raw material base of the national economy, the Ministry of Geology of the Kazakh SSR should ensure, using advanced methods, the broadening of the scale of geological prospecting work, directing particular attention to its intensification in regions where the republic has existing mining-extraction enterprises. The level of substantiation of predictions and geological-economic evaluation of mineral deposits must also be raised.

Basic technical reequipment of the entire national economy will above all accelerate the output of new generations of machines and equipment and raise their reliability and other qualitative parameters to the level of the best world models.

In consideration of this, priority will be given in the 12th Five-Year Plan to developing machine building in the republic. The volume of this output should increase by at least 40-45 percent. Particular attention will be paid to increasing the output of the electrical equipment and machine tool building industry, instrument building, and also machines and equipment for agriculture and livestock breeding.

It should be emphasized that, despite the outstripping growth of this sector in past years, the relative proportion of machine building proper in the structure of the republic's industry remains low and is only 11 percent. Therefore, Gosplan and the local party and soviet organs should have a more attentive and interested attitude toward the proposals of the machine building ministries for developing their enterprises on Kazakhstan territory.

The problem of complete utilization of raw material and maximum drawing of secondary resources into production is exceptionally important for our republic, as a major mining region in the country. A great deal is being done in this direction, but the scale of work is not being organized for us. We have practically unlimited potentials here.

The republic has only begun to process and use wastes and enriching tailings from non-ferrous and ferrous metallurgy, as well as slags from blast-furnace and phosphorus production and thermal electric power stations and inert

materials formed with mine workings. The amounts of many types of secondary raw materials gathered are meager. That is why the quotas specified in the calculations of the five-year plan to increase the complete use of raw material and put secondary resources into circulation should be regarded as minimal. The republic's Gosstab is responsible for this work, and should improve it.

The ministries and departments and collectives of the associations and enterprises must persistently achieve high-quality alterations with respect to efficient use of all resources and production capacities and increase responsibility for the end results of labor and fulfillment of the plans.

Development of the Agro-Industrial Complex

The basic task of the republic's agro-industrial complex lies in going to the boundaries outlined by the Food Program. This will make possible an increase in gross production of agricultural goods by 13-15 percent at the minimum.

In agriculture, the grain yields in 1990 are to reach 30-31 million tons, which is 9-10 million tons more than the average for the year in the last five-year period. A stable increase is to be achieved in production of durum and strong varieties of wheat, groat and leguminous crops and the population's demand for vegetables and potatoes is to be completely supplied. There are potentials for this. This year already, using intensive technology, 5.5 million hectares of grain will be cultivated, which should yield approximately 3.3 million tons of bread. Supplies of anti-wild oat herbicides will increase almost 2.5-fold.

To be put into operation in the current five-year period are 400,000 hectares of new irrigated lands, and the technical condition of the existing ones on 670,000 hectares is to be improved. The agrarian sector will be supplied with 137,000 tractors and 120,000 trucks. Industry is to develop over 380 different new types of machines in the rural area. In order to make arrangements for this tremendous potential in a businesslike way, work on increasing the efficiency of the agricultural system should be considerably stimulated, the development of crop rotation completed, zonal technology improved and intensive new varieties introduced.

Unfortunately, as before, on every fifth section of the plowed fields, farming will not be carried out systematically. In Turgay, Semipalatinsk, Ural and other oblasts, violations are permitted in the technology of tending the farrows, applying the fertilizers and neglecting the sowing of the windbreak row. Only half of the available organic chemicals are applied to the soil.

Proper order has not yet been established on the irrigated lands. Each year 40-80,000 hectares remain unwatered. Indeed, how could this be done when, in the height of summer on farms in Dzhambul Oblast only about 40 percent of the sprinklers and only one-fourth of the power-pump equipment were working. There were similar cases in Chimkent and Alma-Ata oblasts.

Livestock breeding needs vigorous and effective measures. In the development of this sector, as before, extensive factors predominate. The increase in stock does not correspond to the available fodder base. The main thing is neglected--a rise in the productivity of the cattle.

In the last five years, 20 percent of the cattle and over 40 percent of the sheep turned over to the state by the sovkhozes and kolkhozes were thin--their fattening-up was below average. On the whole, this led to a reduction in the quality and over 650 million rubles deficit in receipts by the farms.

Therefore, one must not talk of any progress in livestock breeding. On the contrary, the position gained earlier here was lost, and for the five-year period the shortfall for the plan was 385,000 tons of meat, live weight, 152,000 tons of milk and almost 6000 tons of wool. It would be sufficient to maintain the productivity of the animals even at the 1980 level, and then the five-year plan for turning over meat would have been fulfilled, and for milk and wool--over-fulfilled. Clearly, this level of managing the development of livestock breeding is a far cry from the requirements stated by Mikhail Sergeyevich Gorbachev at the Tselinograd Conference.

In order for more rapid extrication from the situation that has developed, there must be more active and decisive continuation of the work, recently begun, on putting the farms in a healthier condition, an improvement in the organization of selection and breeding matters and a rise in the potential productivity of the animals, by using high-value domestic and world breeds.

It is planned to obtain an increase in the production of mutton and wool mainly by means of intensive factors. For this, sheep-breeding farms must create a reliable feed base, primarily on the basis of increasing the productivity of arid pastures and improving their irrigation.

We must considerably increase the yield from the fodder field, reduce the loss of grass during harvesting, transport and storage. More silos and hay storages must be constructed, bacterial and chemical preservatives must be more widely used and the areas planted to leguminous crops, fodder beets, other root crops and early varieties of corn increased.

The workers of the processing sectors of the republic's APK [agro-industrial complex] are faced with solving serious problems. By 1990 the output of goods for enterprises of the snack-food and the fruit and vegetable and meat and dairy industry will be increased by 21.9 percent, of fish--by 7.8 percent, and of ground groats and combined fodder--by 15.2 percent. Some 879 million rubles of capital investments are directed toward the development of these sectors, or almost twice as much as in the last five-year plan. New enterprises will be constructed and existing ones will be renovated to process milk, meat, fruits and vegetables, as will bakeries and confectioneries.

Increasing the production of tinned fruits and vegetables 2.2-fold, as well as a considerable increase in the output of juices and nonalcoholic beverages, requires the necessary raw material base. Meanwhile, in the past five-year period the sovkhozes and kolkhozes had a shortfall for the plan of 259,000 tons of fruit, 128,000 tons of grapes and 240,000 tons of vegetables. Our southern oblasts--Alma-Ata, Dzhambul, Chimkent and Kzyl-Orda--having at their disposal the necessary irrigation tracts and labor resources, are called upon to ensure fruit and vegetable production for the entire republic. Instead of this, they themselves are becoming importers from the northern oblasts. From now on such paradoxes must not be tolerated.

Since 1970 the orchards and berry patches in the republic have been decreased by 15,000 hectares, including, in Alma-Ata Oblast--by 7000, even though, in the records, they have grown yearly.

Well known in the country is the Astrakhan technology in the complex, with devices created by skilled Kazakhstan craftsmen, which almost cuts in half the workers' need for vegetable raising, reduces the production cost and increases the yield. However, in Alma-Ata, Chimkent, Taldy-Kurgan and Dzhambul oblasts it is so far only for individual devotees.

An important reserve for supplementing food resources is the personal residence and subsidiary farms of enterprises. We should show constant concern for them and render comprehensive assistance.

It is outlined to direct 17.8 billion rubles on the whole for development of the agro-industrial complex from all sources. The main task now is to ensure their high yield. The situation, however, still leaves much to be desired. In the last 10 years, capital investments in the rural area exceeded 32 billion rubles, production funds increased 1.8-fold, fertilizer supplies--2.4-fold, and the gross product of the farms--by only 23 percent, nor is there any increase in labor productivity.

At the republic's sovkhoses in 1981-1984 the production cost of a quintal of milk increased by 7 rubles, of beef--by 71, of pork--by 31 and of mutton--by 32 rubles. Indeed, how could there not be an increase in it, when last year inspections of the Council of Ministers determined that at almost every third farm in Kzyl-Orda, Turgay and Aktyubinsk oblasts cases of shortages and concealment of stock from the record were revealed. Contained illegally in the public herd of these oblasts alone were 23,000 head of cattle, 130,000 sheep and almost 10,000 horses, belonging to private individuals.

Due to squandering and misappropriation, the sovkhoses in the republic, for five years, were out of account almost 120,000 head of cattle, over 1.7 million sheep and 42,000 horses and hogs each.

Gosagroprom and its oblast and rayon units should resolutely set right the state of affairs in the local areas and improve the style and method of management. They now have all the rights and material potentials to do this.

Development of Consumer Goods Production and of Service Spheres

All our efforts to accelerate the development of the economic system are in the last analysis directed toward raising the standard of living for the soviet people. Therefore, fulfillment, by the enterprises of industry and everyday services, of the assignments of the Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere is of principal importance. This was discussed in detail at the recent meeting of the republic's aktiv.

The increase in volumes of consumer goods (group B) to 9.5 billion rubles, with a 26.4 percent increase, outlined for the five-year plan, will make it possible to satisfy the demands of the population for fabrics, clothing, footwear and many other goods.

Today, with the quite high provision of the people with objects for everyday and long-term use, there is a sharp increase in the requirements for the quality of the goods produced. A fundamental rise in quality is a tremendous economic and political task. Meanwhile industry, especially light industry, continues to produce plenty of goods at a low consumer level, but there are few high-quality ones, which are in demand. As a result, given the overall growth of commodity reserves, there is a severe shortage of some types and overstocking of others.

Paid services for the population are increasing 1.3-fold. There is a considerable increase in the work volumes for repair of household equipment, furniture, footwear and clothing, repair and construction of housing and structures for horticulturists and cooperative garages for the citizens' personal transport.

All enterprises, regardless of departmental affiliation, should steadfastly be concerned with the production of goods and with rendering services. The oblispolkoms and the Alma-Ata gorispolkom will bear full responsibility for providing the population with goods and services. The center of gravity in this work will be converted to the actual realization of the broad rights with which the soviets are endowed. They should show themselves to be sole exacting masters.

The output of goods in light industry is to rise by 19.7 percent, including fabrics--by 19.1, readymade garments (according to the normative cost of the work)--by 19.7 percent and hosiery--1.5-fold. Some 584 million rubles of capital investments are being directed to the Ministry of Light Industry, and over half of them will go to technical reequipment.

Production of goods for cultural-everyday and household purposes will increase by 51.3 percent and in 1990 will constitute almost 1.4 billion rubles. There will be a larger output of furniture, porcelain and pottery and enameled dishes, household chemistry items, tape-recorders and children's bicycles and toys.

The volume of retail commodity turnover for the five-year period will increase by 20 percent. Construction of major specialized stores will be combined with the development of a network of small trading centers in housing regions and at production enterprises. The Ministry of Trade, Kazpotrebsoyuz, the oblispolkoms and the Alma-Ata gorispolkom must take every measure to introduce advanced forms of trade, raise its standards, efficiently manipulate commodity resources, improve the work of the wholesale unit and strengthen relations with industry.

In a word, the party line is quite clear here--ensure accelerated development of all sectors and units of the economic system connected with the production of consumer goods and service for the soviet people.

Capital Construction

One of the specific problems on which a further increase in the republic's economic potential and practical implementation of the plans for accelerating scientific-technical progress depend is an improvement in the state of affairs in capital construction. Outlined here are high growth rates, intensification of resource concentration and better supply of materials and mechanisms to the sector.

In the 11th Five-Year Plan, as has already been noted, due to poor work organization and other serious shortcomings, over 2.7 billion rubles of state capital investments were underutilized. The construction of many projects went far beyond the framework of the normative deadlines, and the attendant incompleteness made normal operation of new capacities and structures difficult.

Karaganda Oblast last year short-supplied the consumers 1.4 million tons of cement. Because of this, the introduction of a number of major projects in the republic was disrupted. The whole point lies in the fact that the Novo-Karaganda Cement Plant was accepted with great construction faults that had not been worked out in the equipment and with design errors. The government allotted the oblast everything necessary to eliminate them, but matters did not improve.

Some 9.1 billion rubles more were put into the development of the Kazakhstan economy in the new five-year plan than were used in the last one, which requires support of the high level of investment activity. A number of major industrial enterprises and capacities with important national economic significance are to be put into operation.

In housing construction, the tasks are to raise the degree of comfort and the level of appointments for the apartments and improve the planning and architectural and construction designs. Enterprises for large-panel house-building will be constructed in Guryev, Alma-Ata transriver, Khayrem in Dzhezkazgan Oblast, Oktyabrskaya Aktyubinsk Oblast, and expanded in Karaganda, Ust-Kamenogorsk, Balkhash, Petropavlovskiy and Kzyl-Orda.

Almost 1.1 billion rubles of capital investments are being directed toward reinforcing the construction industry, with the primary creation of capacities for output of highly efficient materials and structures contributing to the growth of labor productivity, reducing deadlines and increasing industrial construction.

The Ministry of Construction of Heavy Industry Enterprises, Ministry of Installation and Special Construction Work, Glavalmazstroy and the Ministry of Construction Materials Industry should undertake strict monitoring of the maximum load for production capacities, carrying out technical reequipment and renovation of existing and construction of new enterprises for the construction industry, specified in the decree of the USSR Council of Ministers, adopted in accordance with the republic's request. These problems should be the subject of constant attention and of local party and soviet organs.

Development of Transport and Communications

In the last five-year period, the slipshod work of the railroads, particularly the Alma-Ata railroad, had an adverse effect on the development of the republic's national economy. This year reassuring improvements have been outlined. They should be secured and developed further.

Railroad shipping of goods will increase by 13.7 percent in the 12th Five-Year Plan. Its throughput and carrying capacity will be increased in the most load-intensive directions. Plans are to complete construction of the Makat-Inder railway, to introduce 1100 kilometers of secondary lines and to electrify 1487 kilometers of mainline railroads.

The volume of shipments by general purpose motor transport will increase by 13.5 percent. The structure of passenger motor transport will be noticeably improved, and its repair base will be reinforced. Intracity transport by trams and trolleybuses will be developed at outstripping rates. Construction of a subway in Alma-Ata will begin. Air transport of passengers and freight will be increased.

Outlined for river transport is an expansion of comprehensive mechanization of materials handling work, as well as renovation of a number of ports, ship-repair and shipbuilding enterprises.

The railroad administrations, Ministry of Motor Transport, Main Administration for the River Fleet and the Kazakh Civil Aviation Administration must take measures for a fundamental improvement in organization of shipments, prompt delivery of freight to the designated localities, ensuring safety in transit and raising the standard of service for the passengers en route and at the stations.

The volume of communication services will increase by 31 percent. The republic's population will be 97 percent encompassed by the Central Television Program, including 95 percent for the rural area. Particular attention must be paid to putting the people on the television line, especially the quarters for invalids and war veterans.

Capital investments for the development of all types of transport and communications will be 3.3 billion rubles.

The extent of paved highways will increase during the five-year plan from 78,000 to almost 84,000 kilometers. Experience shows that the organizations of the Kazakh SSR Ministry of Highways permit many violations of construction technology and low-quality repair and maintenance of the roads, which leads to early destruction and deformation of the road bed and the formation of sagging and of pot holes. These instances, caused by false economy, which ultimately inflicts considerable damage on the national economy, should be stopped once and for all.

The direct duty of the party committees, soviet and trade-union organs and also of the republic's Gosstroy machine is to ensure widescale introduction into the construction process of the achievements of science, technology and advanced practical work, considerable acceleration of the periods for building projects and their lower cost and higher quality.

Gosplan, the ministries and departments of the republic and the oblispolkoms should once again carefully examine the list of construction projects for the 12th Five-Year Plan, bearing in mind the reduction of the ones being begun, and place under consideration projects, the construction of which is not of prime necessity.

Raising the Living Standard For the Population

Believing in its high goal, the party, in the Basic Directions, outlined a broad social program, making it possible to create the conditions for reinforcing the material and spiritual bases of the soviet way of life and for forming the new man.

In the 12th Five-Year Plan, public consumption funds in the republic will increase by 20-22 percent, real income per capita--by 13-15 percent, and the average monthly wage--by 11-13 percent. Realization of the Food Program and the Comprehensive Program for Goods and Services will also contribute to a further rise in the well-being of the people.

To provide the population with housing by means of all sources, including house-building cooperatives, the stipulation is that houses with a total area of 34 million square meters be constructed, or 2.5 million more than in the last five-year plan. This means that every seventh family will obtain a new, well-appointed apartment. Outlined is a gradual transition to housing construction in accordance with the "new generation" plans, which raise the quality of mass housing construction and its comfort. Measures must now be taken everywhere for full development of the capital investments singled out for these purposes.

Central water and heat supply for the cities and work settlements will be further developed in the new five-year plan, construction of sewer-system structures, with complete purification of sewage wastes, will be expanded, and the level of gasification and gas supply for population centers will increase.

The Ministry of Housing and Communal Operations and the ispolkoms of the local soviets are obliged to achieve a considerable rise in the quality and standards of communal service to the population, improvement in the content of the housing fund and ensurance of a reliable water supply and efficient utilization of the funds allotted for public services and amenities.

Measures have been stipulated to develop cultural and arts institutions and systems of national education, intensifying their role in forming a Marxist-Leninist world view and fuller satisfaction of the growing spiritual questions of the people. The network of mass libraries and club establishments and sports structures will be expanded and their material-technical base will be reinforced. The technical equipment of television and radio and of copy-machine industry enterprises will be substantially increased.

In consideration of the school reforms being carried out in the republic, general education schools for 529,500 are to be built. The level of preparation for students for socially useful labor will rise.

The scientific-technical revolution and the coming, qualitatively new stage in the development of the soviet society impose high demands for competency and intellectual potential on specialists in the national economy. Hence, one of the main tasks of higher and secondary schools is an improvement in the educational process on the basis of modern technical resources, an increase in the output of specialists in the new directions of science and technology and the formation among the rising generation of breadth of thinking and a high sense of duty.

In connection with the growing demands for skilled working personnel, the educational-material base of vocational training schools, where the student contingent is over 309,000 persons, is being reinforced.

The network of children's preschool institutions will be increased by almost 220,000 places, which is an increase of over one-third over the past five-year plan. About half of them are slated for introduction through enterprise funds, and the local soviets play an important organizing role in this.

Great attention is being paid to the development of therapy and other medical institutions. In consideration of the population increase and the partial replacement of dilapidated buildings, the plans are to put into operation, solely through state capital investments, hospitals for 13,200 beds. The preventive direction of public health must be reinforced, and its primary units be strengthened, particularly in the rural areas. Medical aid to women and children must be improved, encompassing of the entire population with dispensaries must be ensured and the achievements of modern science and new methods of diagnostics and treatment must be actively put into practice. The construction of new and expansion of existing sanatoriums, dispensaries and tourist bases and of a mass rest zone for workers is outlined.

In the last five-year plan, the plans to put into operation projects for social and cultural everyday services were fulfilled only in 1985, and considerable lagging behind was permitted on the whole. Therefore, it is important, from the very beginning of the five-year period, without wasting time, to devote constant attention to their construction.

The social maintenance organs should improve work with respect to pension legislation, granting benefits and advantages established for World War II veterans, labor veterans and the USSR Armed Forces.

When carrying out measures for the social program, it must be remembered that they contribute not only to the rise of national wellbeing, but also to increasing the efficiency of national production through an increase in the labor and creative activity of the soviet people.

Environmental Conservation

Problems of efficient use of natural resources and preserving the environment are becoming increasingly urgent. There are many cases, however, when the ministries and enterprise directors avoid giving decisions on them and resort to never-ending logomachy. Deserving a particular reproach in this respect, for example, is the Ministry of the Chemical Industry, which for decades has taken no major measures to avoid pollution of the water sources through the Karbid Association in Temirtay and the Aktyubinsk Chromium Compound Plant.

Over 500 million rubles of capital investments are specified for direction to nature conservation. The rates of recultivation of worked-out lands are being accelerated and the use of soil-conservation systems of agriculture are being expanded. Measures will be implemented for reproduction of the republic's forest riches and for their preservation and protection against fires and pests. A natural park and three preserves with an area of about 500,000 hectares are to be developed.

Development of Oblasts and Territorial-Production Complexes

The growth of the economic system in each oblast in the republic is outlined for the new five-year plan and the future. Taken into account at the same time is fuller utilization of their productive potential, natural and labor resources and improving the production and nonproduction infrastructures.

Higher industrial growth rates are specified in Ural, Chimkent, Guryev and Aktyubinsk oblasts.

Work will be continued in Kzyl-Orda Oblast on reorganizing the irrigation systems in the bottom lands of the Syr-Dar River and construction of the Aral-Sarybulak and right bank Kzyl-Orda group water pipelines. The capacities of a plant to produce rice-harvesters will increase.

A sewing factory and grain-product combine are to be put into operation in Turgay Oblast. Beginning in the future here is the formation of a fuel-energy complex and open-pit coal extraction at the Orlov deposit in the Turgay basin.

In Kokchetav Oblast capacities will be introduced to extract ore at the Vasilkovskiy Mining-Enriching Combine and production of substitutes for whole milk and fat cheese at the Kokchetav Dairy Combine. Construction of a complex of structures for the sale of water in Kokchetavskiy, Shchuchinskiy and Makinskiy rayons and the Borov resort zone will continue.

In Ural Oblast it is specified, as was noted, that there be intensive development of the Karachaganakskoye gas condensate deposit, and that a mill at Staroye Zhelayevo and combined fodder plant be put into operation.

Measures are outlined in the republic for the development of small and medium-sized towns and rayon centers, in which will be located small specialized enterprises, branches and shops of existing plants and factories and also

enterprises connected with agricultural service, processing its products and output of items made from local raw material.

The process of increasing the potential of existing and formation of new territorial-production complexes will continue.

In Pavlodar-Ekibastuz, capacities at the Ekibastuz GRES-2 will be put into operation and the tractor, petroleum-refining and aluminum plants and the Ekibastuzgol Association will be further developed. Developed along with the sectors traditional for this complex will be enterprises for the building materials, woodworking, light and food industries.

At the Karatau-Dhambul complex, through increasing the capacities for extraction of ore in the Karatay basin and developing new deposits, the raw material base of the mineral fertilizer industry will increase, which will bring up the role of the complex as the second all-union base for phosphate raw material.

Outlined for the Mangyshlak Complex is further development of petroleum deposits on the Buzachi Peninsula and the growth of product production at the Shevchenkovskiy Plastics Plant. The formation and development of the Karaganda-Temirtay, Eastern Kazakhstan, Turgay and Chimkent-Kentau territorial-production complexes will continue.

Gosplan, the republic's scientific institutions and the local party and soviet organs are so far missing many opportunities for further improvement in placing the productive forces through more efficient use of mineral raw material and other natural resources, particularly in the West Kazakhstan region. This must be corrected.

Improving the Economic Mechanism and Administration

To solve the large-scale tasks set by the party, it is necessary to carry out reorganization of the economic mechanism so as to give large space to the tremendous creative forces lying in our economic system. In a report at the April (1985) Plenum of the CPSU Central Committee, M.S. Gorbachev emphasized: "There is one way out of the situation: there must be immediate and vigorous measures throughout the complex of administrative problems." The CPSU Central Committee and USSR Council of Ministers have already made a number of major decisions in this direction. Many sectors have been converted to work under new economic conditions.

Working fully under these conditions at the present time in the republic are the systems of the Ministry of Communications, Ministry of Motor Transport and the Ministry of Everyday Service for the Population, as well as many industrial enterprises. This year they will produce over half, and beginning in 1987, all the industrial output of Kazakhstan.

Gosplan and the ministries and departments are obliged to ensure utmost reinforcement of cost accounting and to put into practice measures to increase the interest of the work collectives in work with a smaller number of people, in

saving resources and in accelerating scientific-technical progress. Intensifying the role of economical methods should be combined with improving the organizational structure of administration.

In the last few years a good deal has been done on this plan in the republic. The number of production and scientific-production associations is growing, and the level of concentration and specialization is rising. In a number of ministries and departments the middle unit has been eliminated, which made it possible to change to a two-unit administrative structure and to increase the independence of the primary unit.

The economic effect from improving administration with respect to the economy and the subdepartmental Council of Ministers of the Kazakh SSR was 226 million rubles in the last five-year plan.

Work must also be done more actively on eliminating the duplication and parallelism in management at all levels and on expanding the rights and intensifying the responsibility of republic and local organs. This will help toward further mobilization of internal reserves, heightening the production rhythm and reinforcing the discipline agreed upon.

The economic mechanism and our daily practical work should be oriented more toward enhancing the role of the human factor. This means, in the first place, achieving clear-cut production organization and reducing lost work time to a minimum; in the second place, introducing, widely and well thought-out, brigade contracting, found by the masses themselves, and creating the conditions to show all its advantages; in the third place, to do conscientious work and have an innovative attitude toward the matter, with the chief criterion being the merit and general prestige of each person—from worker to minister.

The process of activating the human factor does not only pertain to the lower executors. It also includes improvement in the style of work, the honesty of our administrative personnel and a thorough knowledge of the job.

The party, soviet and economic organs should, decisively and consistently, carry out their functions to ensure full preservation of socialist property and eliminate cases of squandering, wasting and bad managing. Those who do not meet these party requirements and who are not accustomed to or do not wish to count national funds must not be at the helm of the administration.

Whichever section of the national economy we take, we must again and again speak of the administrative personnel and creation of a reserve that is tried in this respect. Hasty decisions, a lack of collective attitude and serious errors in the personnel policy should be eliminated.

The measures taken by the party to ensure a fundamental turning point in the economic system, to improve the style and methods of administration and to raise discipline and order, citizen's consciousness and responsibility of each member of society will, in the final analysis, contribute to consolidating the foundations on which the socialist way of life is based.

* * *

The soviet society is in a great upsurge. The country has entered a responsible stage of its development, when profound qualitative changes must be attained, both in production and in the psychology of the people. The plans of each republic are a constituent of our overall work. In realizing the outlined factors in a single family of the soviet people, with the unselfish aid of the great Russian nation, we contribute our bit to solving all-union problems. This dialectic shows the essence of socialist internationalism and the basis for further reinforcement of the indissoluble friendship of fraternal republics bequeathed by V.I. Lenin.

The communists and all the workers of Kazakhstan have taken an active part in discussing the plan for the Basic Directions and have contributed many valuable suggestions. The Council of Ministers has entrusted Gosplan, the ministries, departments, oblispolkoms and the Alma-Ata gorispolkom with reviewing them and taking them into consideration in compiling the plans.

To achieve the milestones specified in the Basic Directions, the party, soviet and economic organs and trade union and komsomol organizations of the republic must raise the level of organizational and educational work in all sectors and units of administration and at each work place. This will give a powerful impulse to the growth of political and creative activity of the people and to their selfless work on behalf of the further flowering of our motherland.

The communists and all workers in the republic, mobilized by the historic resolutions of the 27th CPSU Congress and the documents from the 16th Congress of the Communist Party of Kazakhstan, will increase their contribution to accelerating the socio-economic development of the country and will devote every effort and all their energy to carrying out the grand plans of Lenin's party.

COPYRIGHT: "Narodnoye khozvastvo Kazakhstana", 1986

12151

CSO: 1820/168

REGIONAL DEVELOPMENT

MANAGEMENT OF TPK RESOURCE ALLOCATION UNDER REVIEW

Moscow MATERIALNO-TEKHNICHESKOE SNABZHENIYE in Russian No 4, Apr 86 pp 26-31

[Article by lecturer at the Novosibirsk Institute of the National Economy and Candidate of Economic Sciences L. Lebedeva, Novosibirsk: "Territorial Production Complexes: Intersectorial Problems in Resource Management"; article printed in the form of a discussion]

[Text] In the 12th Five-Year plan and the subsequent period, the further expansion of the territorial structure of social production is envisaged. As indicated in the Fundamental Directions, the task consists of ensuring the rational combination of economic and social development in each union republic and every economic region. Especial attention is devoted moreover to the necessity of bringing the power-consuming industries closer to the fuel and power bases of Siberia and the North Caucasus. In this regard, expansion and improvement of the practice of forming territorial production complexes is envisaged.

Their development takes place within the bounds of the unified economic organism with the utilization of dedicated-program methods of planning and management. These complexes are the largest consumers of material, labor and financial resources and have a definite priority compared to others in view of their great significance. Therefore, the problem of the rational utilization of allocated materials and equipment in territorial production complexes is becoming acute.

1. It should be noted that by their geographical disposition, the complexes are substantially distinct from one another. Some of them occupy territory in the border regions of several oblasts (for example, the Central Ob extends along the boundaries of Tyumen and Tomsk oblasts). In other cases, several territorial production complexes are created within the borders of a single administrative territorial unit (for example, the Central and North Krasnoyarsk, the Sayansk and the Nizhne-Angarsk--in Krasnoyarsk Kray). Proceeding from this, according to existing procedure all types of resources for the facilities of the territorial production complexes are allocated via different channels and different planning and management organs (taking into account their distribution among administrative territorial units), basically through the sectors that take part in the formation of the complex.

In order that the development of productive forces take place in an integrated and intercoordinated fashion with the stages that are envisaged by the dedicated program, it is essential that all structural levels of the territorial production complex be supplied with the required resources. The task of the material and technical supply system in this is not only to determine the needs for materials and equipment and their delivery times, but also to establish, in conjunction with the central organs, the economic contacts between suppliers and consumers, to select the form of supply and to form the optimal stockpiles that guarantee uninterrupted and timely supply and create the corresponding material and technical base that ensures the preservation of commodity material values and their movement to the places of consumption.

All of these tasks are currently resolved by traditional methods without sufficient regard for the specific features of the territorial production complex as a particular form of organization of productive forces. Such questions as the place in the structure and the role of material and technical supply in the proportionate development of the complex and the effect of the achievement of the final aims of its creation are still poorly studied and inadequately developed in a theoretical sense.

From the point of view of material supply, the consumers of the territorial production complex are still considered in isolation, in which a sectorial approach predominates. The dedicated-program method, meanwhile, presupposes the consideration of all the elements and facilities of the complex as a unified whole. This requires its transformation into an independent supply facility at not only the planning and distribution level, but at the level of organizational and economic relations as well. Consequently, the organs endowed with the corresponding rights and bearing responsibility for the quality and reliability of supply should function within it. They should, moreover, be organically "inscribed" both in the overall system of management for the material and technical supply of the national economy, and in the system of management organs of the territorial production complex itself.

This approach, in our opinion, is possible only under conditions where, at all stages of the formation and development of the complex, the same attention is devoted to the supply system as to others. It is important to achieve the intercoordinated development of the entire constituent infrastructure (and especially material and technical supply and transportation) in this as well as their correspondence to the level of productive forces of the complex.

As experience shows, the disjointedness of the supply and transport systems is seriously reflected in the organization of timely and uninterrupted material and technical supply for the facilities of territorial production complexes, and a shortage of warehouse space leads to the fact that more than two hundred enterprises and organizations of Tyumen Oblast quite frequently turn railcars into warehouses on wheels. If these enterprises could be kept within the standards for railcar handling, 5,500 railcars could be provided to consumers at Tyumen Station in the course of a year and an additional 300,000 tons of freight could be shipped.

Great problems arise in river transport in the handling of vessels due to the departmental affiliations of berths. This leads to the unnecessary execution of many roadstead maneuvering operations, the uncoordinated and irrational use of transport lifting equipment and considerable vessel idle time in loading and unloading.

In frontier assimilation zones, transport expenses are increasing considerably due to shipping within territorial production complexes. Thus, in the surface construction of the Urengoy Gas Field, 42 percent of the total transportation cost for a ton of freight goes for delivery from the transshipment bases to the construction facilities, although the distance between them is one tenth that from the supplier to the transshipment base.

As a rule, the development of productive forces in new assimilation zones takes place so quickly that the productive infrastructure does not keep pace with the growth rates of the principal sectors. The existing procedure for their financing under conditions of the absence of intersectorial management organs for territorial production complexes makes it necessary to create transport links and the material and technical base of the supply system with an orientation toward "one's own" sectorial interests, since the development of the territorial organs of USSR Gosstab is lagging somewhat.

Therefore, the task has become acute in all frontier assimilation zones for a transition from a sectorial to a functional principle of organization for the supply system. This will permit a maximum regard for regional features with the disposition of its material and technical base taking into account the product range and the amount of consumption of resources along with the layout of transport and economic contacts among the product suppliers and the stipulation of appropriate capital investment for the development of such a base that ensures its most important parameter--the reliability of supply when deviations arise in the transporting and consumption of material resources. This is also immediately associated with the creation of the corresponding management organs for material and technical supply in territorial production complexes.

2. As is well known, the major nationwide complexes have become dedicated-planning facilities. In recent years, the corresponding methodological regulations for the development of regional programs and planning the development of territorial production complexes have been issued. As regards questions of supplying their consumers with necessary resources, the directive documents have developed, in broad outline form, an accounting mechanism for requirements in the five-year and yearly material equations and the product distribution plans.

In assigning proper importance to the qualitative development of all sections of the plan for developing territorial production complexes and including these indicators in sectorial and territorial plans at all levels, it should not be forgotten that even the ideal execution of this work does not at all guarantee its compulsory fulfillment. It is therefore essential to create management organs that would answer, within the limits of the rights granted, for the realization of the program and the plans for the formation of complexes and would ensure their successful functioning. It is apparent, with

the retention of the sectorial structures, that organs should be created that coordinate the activity of the multitude of ministries and departments that participate in the creation of this or that complex, with the aim of achieving the final aim with the least expenditures.

In recent years, definite steps have been made in this area. For example, various interdepartmental scientific and coordinating councils for the major scientific and technical and global regional programs have been formed (say, for the economic assimilation of the Baykal-Amur Mainline zone) that are headed by leading scientists and specialists. Problems of intersectorial management of the formation and development of territorial production complexes are also being resolved.

In this regard it is important, in our opinion, to study the experience of the intersectorial management organs for the development of the West Siberian Oil and Gas Complex. Here, the first Commission of the Presidium of the USSR Council of Ministers in the country was formed for the West Siberian Oil and Gas Complex (in Moscow) along with the Interdepartmental Territorial Commission on Issues in the Development of the West Siberian Oil and Gas Complex of USSR Gosplan (located in Tyumen). The Statutes of this commission stipulate that the its principal tasks are developing plans and prospects for the development of the complex (with the involvement of the appropriate territorial organizations and institutes of the leading ministries and departments) and the implementation of monitoring over their realization, as well as the preparation of proposals for the proportionate development of the sectors that make up the West Siberian Oil and Gas Complex.

Among other problems, the Interdepartmental Commission resolves questions of material and technical supply. Thus, the consideration of the drafts of the prospective and current plans of enterprises and organizations has the purpose coordinating them in order to establish the optimal development proportions of the complex as well as the maximum economy of all types of resources. Under these conditions, the Commission in practice ensures the dedicated-program coordination of the principal sections of the sectorial production, construction, capital-investment, material-and-technical supply and other plans for the successful fulfillment of the tasks placed before the West Siberian Oil and Gas Complex.

The Commission is charged with being engaged in the improvement of capital construction on the territory of the complex. Therefore, it also resolves, among other things, questions of warehouse, transportation and other facility construction.

Commission proposals for improving the productive and social infrastructure on the territory of the complex are also immediately associated with the development of the material and technical base for supply and transportation organizations. The implementation of these proposals, after all, requires corresponding material supply.

The Commission, for the intersectorial coordination of the territorial organizations of ministries and departments for the purpose of the proportional development of the complex, studies the extent of supply of material resources for these developments.

Planning for the development of the West Siberian Oil and Gas Complex, per the recommendations of the Commission, is implemented simultaneously with the preparation of sectorial plans, which makes it possible to observe the principle of priority development for the complex, (including in the sphere of allocation of material and technical resources, which are shown as a separate line item in the general funds corresponding to ministries and departments. The Commission sent to USSR Gosplan a proposal (and obtained approval) on the organization of centralized repair for equipment operated in the West Siberian Oil and Gas Complex by manufacturing ministries, and the supplying of spare parts for them through a nationwide supply system.

In conjunction with USSR Gosplan, the Interdepartmental Commission has repeatedly considered the question of using and storing large-diameter pipe. As a result, a large quantity of pipe that had earlier been tossed into the right-of-way corridors was brought into economic circulation and its storage was improved in the organizations of Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises]. The members of the Commission are advocates of supplying the facilities of the West Siberian Oil and Gas Complex with widely used products through the USSR Gosplan system by way of the gradual elimination of the many departmental supply and sales organizations that duplicate the activity of the territorial organs of the nationwide supply system in the region.

Insofar as the Commission is associated with the planning of production and construction in the region, it has the opportunity of stipulating the output of some essential materials at the facilities of the complex. Thus, at the suggestion of the Commission, the production of propane was successfully organized at the Yuzhno-Balyksa Gas Refining Plant instead of shipping tens of thousands of tons of it to Tyumen from Moscow and Ryazan oblasts and the Tatar region.

The Commission also devotes much attention to questions of the shipping of products on the territory of the complex. It must be noted that this problem is so serious that, beginning from the end of the 10th Five-Year Plan, USSR Gosplan and USSR Gosplan establish targets for the delivery of freight in the oil-and-gas-complex region for the Ministry of Railways, Ministry of Civil Aviation, the RSFSR Ministry of the River Fleet and the Ministry of Transport Construction (for new sites), as well as the leading non-transportation ministries that have their own departmental fleets.

Until recently, these targets were formulated in Moscow on the basis of requests from the consumer ministries taking into account the growth of their principal activity indicators in the region. Beginning with the shipping plan for 1983, all work on preparing the shipping plan targets for the delivery of freight to customers in the oil-and-gas complex was entrusted to the Interdepartmental Commission. A careful consideration of issues on the spot and the intercoordination of supply volumes and product shipping led to the

fact that the overall total requirement for declared freight shipping volumes was substantially reduced versus the initial plan, coordinated with the ministries and approved by USSR Gosplan and USSR Gossnab.

Aside from planning freight shipping for the facilities of the West Siberian Oil and Gas Complex, the Commission frequently considered at its sessions, among others, questions of shipping products on the shallow rivers on the territory of the complex, the creation of corresponding transportation and warehouse facilities at certain freight transshipment points and the storage of commodity material values at bases of the supply organs of leading ministries.

In accordance with the methodological directives for enterprises of the transportation ministries developed by the Commission and approved by USSR Gosplan, the enterprises of the transportation ministries, USSR Gossnab, RSFSR Goskonnefteprodukt [State Committee for the Supply of Petroleum Products] and other service sectors are obligated to plan their activity allocating a separate line for all operations for the complex, and to coordinate their plans with the Commission before presenting them to their own superior organizations.

3. However, the Interdepartmental Commission, in the form in which it now exists, is not in a position to resolve questions of material and technical supply and the transporting of products. The fact is that as a department of USSR Gosplan, it concentrates its principal attention on the planning of production and construction in the region, and resolves questions of supplying it with resources in the traditional manner. Obtaining data on the material values allocated to the complex for a dedicated purpose, the Commission does not hold them or manage them, and consequently cannot control their utilization or carry out maneuvers with them.

In our opinion, the Interdepartmental Commission could implement the intersectorial guidance of the development of the complex much more successfully if it were given the status of a government organ, carrying out management directly at the territorial production complex itself. Attention should be directed toward the fact that The Commission of the Presidium of the USSR Council of Ministers is a management organ at the governmental level, while the Interdepartmental Commission is an organ of USSR Gosplan. It therefore has insufficient rights to resolve difficult intersectorial problems that arise in the process of developing the complex. To our view, were the Commission headed by a fully empowered representative of the Commission of the Presidium of the USSR Council of Ministers, it would itself have the rank of a governmental organ on the spot, and complicated intersectorial questions in developing the complex would be resolved much more easily. This includes the material supply of its facilities in close coordination with the plans for industrial production and capital construction.

We feel, therefore, that improving the management of individual subsystems depends greatly on the resolution of problems in the intersectorial management of the formation and development of the territorial production complex itself.

Of the many approaches to this problem that have been proposed, we join those specialists who feel that the creation of centralized (the Commission of the Presidium of the USSR Council of Ministers) and local (regional Committees of the USSR Council of Ministers for the interdepartmental management of territorial production complexes headed by a fully empowered representative of the Commission of the Presidium of the USSR Council of Ministers) governmental organs is essential for managing and developing the major nationwide territorial production complexes. For the efficient resolution of current issues, a directors' (organization executives) council could be created in the regional Committee with the right to a consultative role. The establishment of these organs for the most important intersectorial and interregional disputed issues should be compulsory for all those taking part in forming the complexes.

The substance and scope of the regional problems for the sake of the resolution of which it was created, and its internal structure taking into account the sectorial and territorial ownership of facilities as well as the specific natural, social, economic and geographical conditions, have a substantial effect on the management system of the territorial production complex. The management structure, however, should be based on the unified standard principles that are inherent in any complex as a progressive form of organization of productive forces.

With such an approach to the management of the territorial production complex, the dominant position of USSR Gosstab in the pre-planning, planning and operational resolution of all issues in conjunction with the interested ministries and departments should be a standard principle of its material and technical supply. Taking into account the fact that the economic contacts established by the supply organs for the delivery of products and their quantitative features determine the economic transportation contacts and the volumes and modes of delivery of freight for all types of transport, it is important to coordinate plans for the delivery and shipping of products in organizing the material and technical supply of territorial production complexes. The central management organ of the territorial production complexes can entrust this work to USSR Gosstab with the inclusion of all interested industrial and transportation ministries.

A structural subdivision for material and technical supply and the transporting of products should be envisaged, in our opinion, in a regional Committee (conditionally called a Snabsbyttrans [Supply and Sales Transportation] subcommittee). It should coordinate the activity of the territorial supply, sales and transportation organizations that serve the complex, both in the fulfillment of the product delivery and shipping plans and in the coordinated creation of the material production base of all participants in the supply and shipping process.

It is essential that these two-level organs be given the right to settle all disputed interdepartmental and intersectorial issues in product delivery and shipping, to create centralized undistributed reserves and where necessary to redistribute material resources within the territorial production complex (in established procedure and in agreement with the holder of the capital). They should raise the question of the additional allocation of materials and

equipment and approve interim and permanent estimates (tariffs) for services and operations executed by territorial supply and transport organizations. The specific features of the region and the stage of creation of the complex should be taken into account to a maximum in this. The Regional Committee and its Snabsbyttrans Subcommittee are obliged to conduct a unified policy in the area of production, as well as in the area of turnover, and monitor the incorporation of progressive forms of material and technical supply and the achievements of scientific and technical progress in warehouse, transportation and loading and unloading operations.

A subdivision can be created in the directors' council of the territorial production complex to which executives of the territorial organs of the intersectorial and sectorial supply systems and transportation organizations could belong (the Snabsbyttrans Commission). Its task is the coordination of the activity of the parties under the conditions of the existing procedure for the distribution of producer goods in the country and the existing economic mechanism for interrelations. This Commission, in its work, should, in our opinion, be based on the territorial organs of USSR Gosstab and be headed by the chief of the main territorial administration in the region where the complex is formed.

As has been proposed, enterprises and organizations will retain their economic independence and the right of legal entity and departmental affiliation, and the authority of the regional committee should be associated with the efficient management of the development and realization of the program and plan resolutions for the territorial production complex. At the same time, it is acknowledged that the Committee should not only confer, coordinate, recommend and execute, but also plan, distribute and adopt resolutions that are binding on all participants in the creation of the complex.

In our opinion, the principal tasks of material supply for the complex that should be resolved by these organs are:

- the creation of an optimal system of supply organs and their management;

- the development of a strategy for supplying material resources with minimum stockpiles and production and turnover expenses;

- the economizing and rational utilization of raw materials, and material, fuel and power resources in all sections and at all stages of the realization of a dedicated regional program for the complex;

- the utmost utilization of the achievements of scientific and technical progress in calculating the requirements for material resources and equipment, as well as in the creation of a material production base for the supply and transportation organs;

the raising of labor productivity of the employees of the supply, sales and transportation organizations;

the resolution of social and economic tasks in the sphere of material and technical supply;

the incorporation and expansion of progressive new forms of supply and services.

4. The basic distinction in principle of the newly proposed management organ (as can be seen from its chief tasks) is the merging of the sales and supply and the transportation organizations in a unified complex for a given territory. Currently, the management of sales and supply and the shipping processes are separated both on the national scale and in individual regions.

The organization of horizontal contacts between the participants in the supply and shipping process is of no small importance. Here, in our opinion, there exist two solutions.

First, the transportation and the sales and supply organizations of the territorial production complex can be combined separately, and Snabsbyttrans can be occupied with coordinating their activities. The idea has already been expressed in the press of the urgent necessity of creating an intersectorial governmental organ for a unified transportation system for the country, the expediency of which has been convincingly demonstrated in a number of examples, including in Siberia.

It needs to be emphasized that if all shipping plans are coordinated on a national scale and are linked in fundamental areas with the plans for material and technical supply, then in each specific territory, due to the lack of unified actions on the part of the organizations of various transportations ministries, the industrial enterprises and sales and supply organs (in these territories) will be placed in a difficult situation for the fulfillment of the product delivery plans. This situation is well understood by all the participants in the supply and shipping process, and they are seeking out various forms of cooperation and collaboration. Furthermore, there are no unified organs in the territories that coordinate transportation construction depending on the specific features of the combination of various types of transport in the given region, which is sometimes substantially distinct from the nationwide or republic level.

As regards the sales and supply organizations, the departmental supply organs that duplicate the activity of the nationwide system must be eliminated and their functions transferred to USSR Gossnab. It should be emphasized here that this process should be conducted in stages and only in the presence of parallelism in the activities of these systems, taking into account the degree of utilization of widely used products and specific articles in the given region, as well as the preparedness of the territorial organs of USSR Gossnab for this merger.

At the same time it must not be forgotten that even with the maximum possible concentration of supply and sales activity in the territorial organs of USSR

Gossnab, with the existing organization of material and technical supply in the country part of the resources for consumers in the territorial production complexes will be supplied bypassing the USSR Gossnab system. For example, in the West Siberian Oil and Gas Complex, enterprises and organizations obtain special materials for drilling and petroleum production and certain types of equipment and spare parts for it and, apparently, will continue to obtain them in the future, via internal ministry deliveries, as well as mineral construction materials according to the plans of the inter-oblast deliveries of RSFSR Gossnab and local deliveries according to oblast plans.

At the same time, some widely used products ordered by union main administrations of materials and equipment supply and sales now pass through departmental sales and supply organizations. This diminishes the effect of the territorial organs of the nationwide supply system in the regions and leads to parallelism in the activity of supply organizations of different subordinations.

Therefore, taking into account the existing procedure for distributing and ordering production and technical articles in the country, it is essential to proceed from the fact that some departmental bases and enterprises for the delivery of products will continue to function in the territorial production complex. They, like the organs of the nationwide supply system, will be in need of general coordination of their activities.

It should not be forgotten, moreover, that in the placement of a territorial production complex on the contiguous territories of neighboring oblasts, its facilities can be served by various main territorial administrations of USSR Gossnab, the coordination of the activities of which is in need of serious improvement. For example, the facilities of the West Siberian Oil and Gas Complex located in Tyumen and Tomsk oblasts are currently served separately by the Tyumen and West Siberian main territorial administrations. There is, however, practically no coordination in their work.

That is why, with the achievement of an even standard degree of concentration of the supply and sales activity in the territorial organs of USSR Gossnab, the necessity of closely coordinating their activity by a regional management organ of governmental level only increases. And insofar as the territorial organs of different supply systems (the supply and sales administrations of oblast ispolkoms, oblast petroleum-supply administrations, USSR Gosagroprom [State Agro-Industrial Complex] departmental supply organizations) also plan and implement their activities in isolation within the bounds of the oblast alone, the creation of dedicated-program management organs for the material and technical supply of territorial production complexes becomes a vital task.

A second way is the creation of unified joint transportation and supply facilities. With such an approach, all of the transport and supply organizations in a given territory are merged regardless of departmental affiliation with the aim of improving the coordination of the common activity for the material supply of consumers in their service zone.

This approach is caused by the fact that the singular nature of the product shipping layout in the region, dictated by existing transport capabilities,

leads to the fact that the supply bases and transportation enterprises of many ministries and departments are concentrated at all major freight transshipment and resource consumption points. This creates favorable conditions for the intersectorial organization of material supply for major industrial centers both by way of constructing transport warehouse facilities for common use on a proportionate basis (with the strengthening of their specialization and concentration and the creation of joint service and repair facilities with the aim of combining the material and production base of the organs of supply, transport and consumer production) and by improving the economic mechanism for the inter-industry cooperation of the supply and transport organizations of various affiliations in specific territories. The resolution of these issues is only within the power of dedicated-program management organs that will proceed from the interests of the regional dedicated comprehensive program for the formation and development of complexes.

* * *

Under conditions of the transformation of nationwide territorial production complexes not only into dedicated-program planning facilities (as is currently taking place) but also dedicated-program management with the endowment of legal status, each of them (as a unified whole) can become, in our opinion, an independent facility for supplying resources for the central and territorial organs of all supply systems. This will undoubtedly require the development of a new economic mechanism for their interrelationship under conditions of the intersectorial management of economics.

With this approach, the organs for managing the material supply of facilities of a complex that we are proposing (in the form of a component of the governmental organs managing it as a unified whole) will be transformed into fully empowered holders and managers of all allocated resources. Then, to our view, the real possibility will appear of ensuring the balanced development of all the elements of the territorial production complex envisaged by the regional program and to transform material and technical supply into a true regulator of its successful development.

COPYRIGHT: Izdatelstvo "Ekonomika", "Materialno-tekhnicheskoye snabzheniye", 1986.

12821

CSO: 1820/169

END

END OF

FICHE

DATE FILMED

SEPTEMBER 30, 1986